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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 716

WILLIAM R. JACKSON,
WILLIAM R. & ALICE J. JACKSON,
CLEVELAND CHAIR COMPANY,

Petitioners

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent

APPENDIX B TO

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

RICHARD P. JAHN
Tanner & Jahn
12th Floor, Volunteer Bldg.
Chattanooga, Tennessee

Attorney for Petitioners

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12 01164 Plf. Ex B

CLEVELAND CHAIR CO., INC. CORPORATION ORGANIZATION

SEARS-COMMUNITY STATE BANK CHICAGO

NAMES		SPECIMEN SIGNATURES	
W. R. Jackson	WILL SIGN	W. R. Jackson	PRESIDENT
W. B. Randolph	WILL SIGN	W. B. Randolph	VICE PRESIDENT
	WILL SIGN		TREASURER
	WILL SIGN	2/27/57	SECRETARY
J. E. Cate Jr	WILL SIGN	J E Cate Jr	ASSISTANT TREASURER
	WILL SIGN		ASSISTANT SECRETARY

PLEASE SIGN FOOTNOTE

THE ABOVE SIGNATURES ARE HEREBY CERTIFIED AS GENUINE AND ARE AUTHORIZED IN ACCORDANCE WITH PAPERS OF AUTHORITY ON FILE WITH YOUR BANK.

DATE March 6, 1957

SECRETARY (OR OTHER OFFICER)

FORM 287 REV. 3M 4-59 S.H.CO.

In receiving and handling items for deposit or collection this bank acts only as its customer's collecting agent and assumes no responsibility beyond the exercise of due care. All items are credited or entered subject to final payment in cash or collection. This bank or its correspondents may, as its customer's agent, accept the draft or credit of any bank or any drawer, payee or payor as payment in lieu of cash. It may charge back any item, whether returned or not, including items drawn on this bank, at any time before final payment.

It may transmit any item for collection to any Federal Reserve Bank and such item shall be subject to the rules, regulations and procedures now in force or hereafter promulgated, of such Federal Reserve Bank or by the Board of Governors of the Federal Reserve System. Items payable in the City of Chicago, or in any suburb thereof may be collected through the Chicago Clearing House Association and will be subject to its rules and regulations now in force or hereafter adopted.

This Bank endeavors to forward items payable outside of Chicago on day of receipt, but it is understood that they need not be forwarded until the following business day. Those items received through the Lobby Depository which require customary collection procedure shall be considered as having been received as of the regular business day following the date placed in the Depository.

This bank shall not be construed to have received items sent by mail or placed in the Lobby Depository until the bank has either received actual delivery of the same from the U. S. Post Office or has removed the same from said Depository. Items placed in the Depository will be removed and proximately credited not later than the next succeeding business day. During the period while such items are lodged in the Depository, the bank's relationship is solely that of a bailee.

Address Cleveland, Tenn. Phone

Business Mfrs. of Chairs and Rockers Initial Dep. 10,000.00

Last Bank Account

Introduced by J. M. Archer

Relations with other Departments

References none requested

References Account Opened by JMA

Remarks

Exhibit C

RESP. EX C EX C

EAST CHATTANOOGA BRANCH

HAMILTON NATIONAL BANK

CHATTANOOGA, TENNESSEE

Feb. 10, 1945

Sears Community State Bank
Chicago, Ill.

Attention Mr. A. V. Roulo, Ass't Vice President.

Dear Mr. Roulo:

I am glad indeed to favor you with the enclosed Cashier's Check, No. 12755, in the amount of $10,000.00, in favor of Sears Community State Bank. I will appreciate very much your placing it on my personal account as indicated by the enclosed signature Card. When proper entries are made, kindly forward Pass Book to W. R. Jackson, c/o Jackson Manufacturing Company, 2000 Rinemderf St., Chattanooga, Tennessee.

Very truly yours,

W. R. Jackson

Encls. 3

1095a

RESP. EX. D

EX D

Chattanooga, Tenn., Feb 8, 1945 194

HAMILTON NATIONAL BANK
CHATTANOOGA, TENN.

EAST CHATTANOOGA BRANCH

87-36

PAID

No. 12755

$ 10,000.00

Pay to the order of Sears Community State Bank.

EAST CHATT. $10000 & 00 CTS. DOLLARS

CASHIER'S CHECK

ASSISTANT CASHIER

Exhibit D

Exhibit F

OFFICERS

DIRECTORS

SEARS-COMMUNITY STATE BANK

CHICAGO 24, ILL.

April 18th, 1962.

Mr. W. O. Randolph
Cleveland Chair Company, Inc.
Cleveland, Tennessee

Dear Mr. Randolph:

We acknowledge your letter of April 18th enclosing a check signed by Mr. W. R. Jackson to cover withdrawal of his personal checking account.

As per your instructions we had this check made out for $10,000.00, payable to our order, for which we are sending you our Cashier's Check #87082, payable to Mr. W. R. Jackson.

Please tell Mr. Jackson that we appreciated very much the account which he maintained here, and sincerely hope that at the first opportunity he will reopen the account. We also appreciate the very nice account of the Cleveland Chair Company, Inc. and trust you will feel free to call on us at any time if we can be of service to you.

I am looking forward to seeing you and Mr. Jackson again at the forthcoming furniture exhibit at the Furniture Mart in June.

Yours very truly,

A. V. Houle
Assistant Vice-President

AVH:el

RECEIVED
APR 19 1962
CLEVELAND CHAIR CO., INC.

Exhibit I

1097a

8/3

Chattanooga, Tenn. May 3, 1944 193

90 after date I promise to pay to the order of

The Exchange Bank of St. Augustine
ST. AUGUSTINE, FLORIDA

Forty thousand & 00/100 DOLLARS $40,000.00

Exchange Bank No. 1600

PAID
AUG 8 - 1944

DOLLARS

Chattanooga, Tenn.

Bond Co. 11910

Exhibit J

Rep Exhibit J

AUTHORIZED SIGNATURES OF MAY 3 19 44

Mr. ( )
Mrs. ( )
Miss ( )
Firm ( )
Joint account ( )

TENNESSEE

The EXCHANGE BANK OF ST. AUGUSTINE and the undersigned hereby mutually agree that all the notes, drafts, checks or other papers purchased by the Bank from the undersigned, or received by it for credit or collection, from or through the undersigned are purchased or received subject to the usual receipt of proceeds thereof by the Bank, and that those said papers or the proceeds shall be at the risk of the undersigned, and the Bank shall not be liable for the loss thereof or for default, negligence or failure of its agents, correspondents or others to whom the paper may have been entrusted for collection. The Bank is authorized in its discretion to send any cash paper drawn on the Bank on which it is drawn, or at which it is made payable, to accept in return the check of any other bank or banks, and to charge to the undersigned's account any paper not actually realized on, any items lost in transit and any bank check on which this bank fails to realize the full amount, or undersigned's proceeds part of such deposit bank checks received as a remittance for a number of items.

All depositing checks will be presented for payment not later than the business day following their deposit, and if dishonored will be charged to depositor's account or presented to him for payment the following day. Liability of endorsers on checks certified at Bank's request shall not cease until such items are paid.

The signatures of persons authorized to draw checks which the bank will recognize in payment of funds or for the transaction of other business on accounts of the undersigned are hereby given below.

The undersigned authorizes the bank in its discretion to make the customary service charge against this account.

This MAY 3 1944 day of 19

Sign here
Sign here

Address

Number of Signatures Required

2

Business

Initial Deposit $5,000.00

Introduced by
Former Banking Connection

1

Affiliation

Reference

Officer Accepting

Teller Accepting

Remarks

Date Account Opened 5-3-44

3

Resp. Ex K

E EXCHANGE BANK
OF ST. AUGUSTINE
Savings Department

Book No. 6829

[illegible]

Wm. H. Jackson

St. Augustine, Fla. 5-3-44 19

Please list each check separately and state place of payment.

DOLLARS CENTS

Currency

Coin

CHECKS AS FOLLOWS:

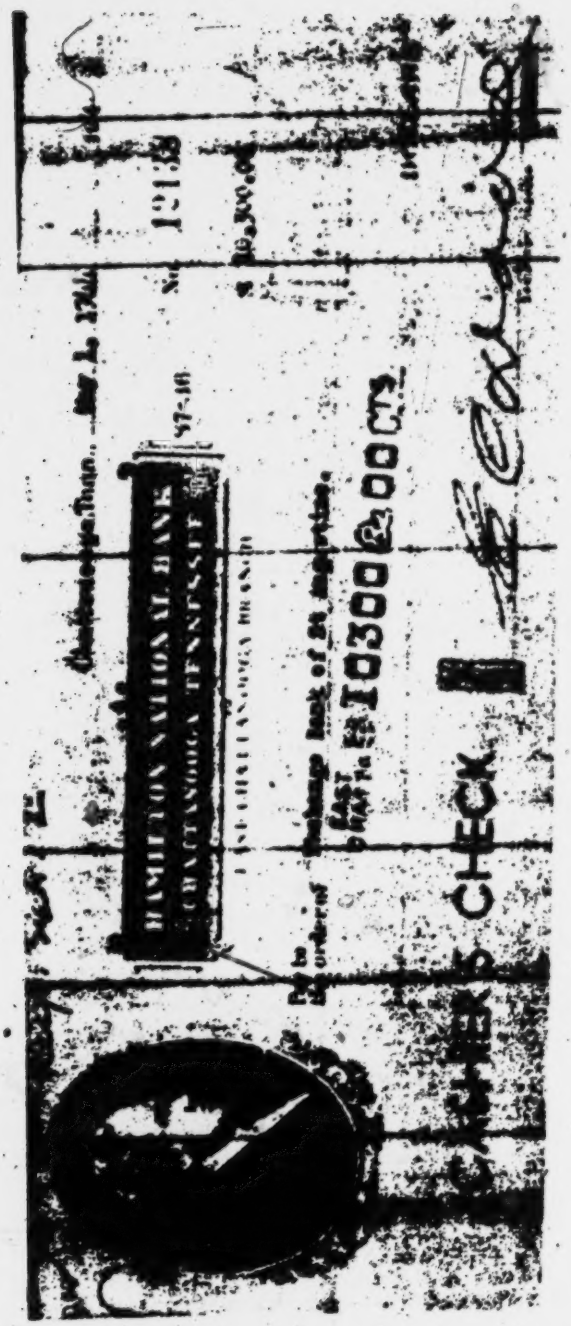
50,000 —

Send out for signature
Chattanooga, Tenn.

TOTAL $ 50,000 —

SEE THAT ALL CHECKS AND DRAFTS ARE ENDORSED 4

Exhibit L



Resp. Exh. M.

MR. W. [illegible] JACKSON

NO. 3629

JOINT ACCOUNT EITHER
MAY SIGN ( )
BOTH MUST SIGN ( )

ADDRESS

WHITE ( ) COLORED ( )

WITHDRAWALS	DEPOSITS	INTEREST	DATE	BALANCE
	50,000.00		MAY 3 '46	50,000.00 *
	83.33	IN	JUL 1 '46	50,083.33 IN *
40,000.00			AUG 9 '46	10,083.33 *
50.41		INT. 945	[illegible] 1 [illegible]	10,133.74 *
	50.56	IN	JUL 1 '46	10,184.30 IN *
10,063.33			[illegible] 16 '46	120.97 *
	1.00	IN	[illegible] 1 '46	121.97 IN *
101.97			[illegible] 7 '46	.00 *

THE EXCHANGE BANK OF ST. AUGUSTINE

Resp: Exh. N

LIABILITY LEDGER

NAME Jackson, T. S.

ADDRESS

BUSINESS Chattanooga, Tenn.

AUTHORIZED CREDIT

OLD BALANCE	RATE	NOTE NO.	ENDORSER OR COLLATERAL	DATE	NEW NOTES	PAYMENTS	DATE	BALANCE
40,000.00	3	14991	Savings Account	AUG 3'44	40,000.00		MAY 3'44	40,000.00 *
	=	14991				40,000.00	AUG 9'44	.00 *

1102a

Exhibit N

Exhibit O

Resp. Exh. O

EAST CHATTANOOGA, TENN. 194

PAY TO THE ORDER OF EXCHANGE BANK OF ST. AUGUSTINE $

DOLLARS

COUNTER CHECK

1103a

1104a

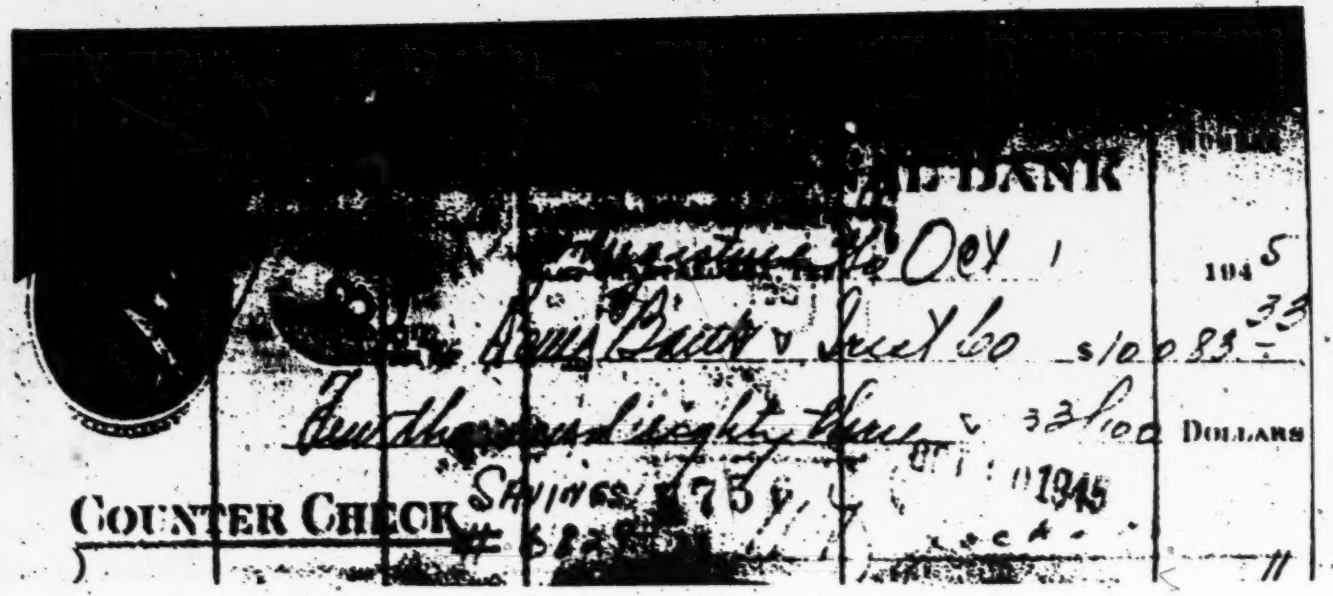


Exhibit P

Exhibit Q

1105a

HUNDREDS

Resp. Sch. ⊕

RECORD OF DRAFTS DRAWN ON THE FLORIDA NAT'L BANK
JACKSONVILLE, FLORIDA

DATE 10	PAYABLE TO THE ORDER OF	BY WHOM PURCHASED	NO.	AMOUNT	DATE PAID	EXCHANGE	DAILY TOTALS
	BROUGHT FORWARD						
	Federal Reserve Bk Jax	Ch	50	72881 45	JUL 2	5.00	
	" " "	War Loan Jc.	51	5000 -	JUL 2		
	Sta. Bank at Starke	Ch # 9008	52	9986 -	JUL 2	4 -	
JUN 1945	1st Aug. Natl Bank	Ch	53	242198	JUL 2		
	Federal Reserve Jax	Ch	54	39392 69	JUL 2		
	Commercial Natl Cadwallader Jax		55	19172	JUL 2	25	
	1st Aug Natl Bk		56	2222	JUL 2		
JUN 1945	Federal Reserve Jax	Ch	57	8723153	JUL 2	50	
	American Natl. Jax	Ch	58	130.16	JUL 2	40	1.40
	The Lotan Co	Same	59	28251	JUL 2		
JUN 10 1945	1st Aug National Bk	Ch	60	1666966	JUL 2		
	The Federal Reserve Jax	Ch	61	8985026	JUL 2	3.75	
	" " "	War Loan Jc.	62	5000 -	JUL 2		
	The National Shawmut Bk Boston	Ch # 9009	63	14 -	JUL 2	100	
	The Shawmut Bk of Key West	Ch # 9014	64	54475	JUL 2	125	
	National Bank of Ga	Ch # 9013	65	304 -	JUL 2	100	
JUN 11 1945	1st Aug Natl Bank		66	12414 82	JUL 2		
	Federal Reserve Bank		67	39561 81	JUL 2		
	" "	War Loan	68	4000 -	JUL 2		
JUN 13 1945	Federal Reserve Bank		69	81047 25	JUL 2		

GENERAL SERVICES ADMINISTRATION

National Archives and Records Service
Washington 25, D.C.

IN REPLY REFER TO

A F F I D A V I T

CITY OF WASHINGTON }
DISTRICT OF COLUMBIA }

COMES NOW ROBERT H. BAHMER, who makes oath and says that he is the Acting Archivist of the United States; that under Federal Law the permanently valuable records of the Office of Price Administration (hereinafter referred to as "OPA"), which was established during World War II and continued for some years thereafter, were placed in the National Archives for safe keeping after the selective destruction of portions of these records had been authorized by the Congress; that the records deposited in the National Archives include case files for approximately 3,000 enforcement cases selected by OPA as worthy of retention from approximately one million enforcement cases initiated by OPA; that affiant has caused a diligent search to be made by his staff for any remaining OPA records pertaining to Jackson Manufacturing Company, 2000 Elmendorf Street, Chattanooga, Tennessee and Cleveland Chair Company, Cleveland, Tennessee; that no record whatsoever could be found in the National Archives pertaining to either of said companies other than a record of the allowance of a price increase in one instance on two models of upholstered sofa beds; that if there had been any instance investigated by the OPA of an alleged sale at "above OPA ceiling" prices by either of said companies, the OPA records pertaining to the investigation and/or prosecution of same, if still extant, should now be in the National Archives and not elsewhere, since the National Archives became the official depository of all such records from throughout the United States when the OPA ceased operations.

IN WITNESS WHEREOF affiant has affixed his signature and official seal this 14th day of November, 1963.

Robert H. Bahmer
Acting Archivist of the United States

National Archives of the United States
1434

Sworn to and subscribed before me this 14th day of November, 1963.

Notary Public

My Commission expires October 31, 1967

Exhibit 43

11958

Exhibit LLL

1107a

THE ROME BANK AND TRUST COMPANY, ROME, GA.

Sheet 1

Name W. R. JACKSON
HAMILTON NATIONAL BANK
Address EAST CHATTANOOGA, TENN

CHECKS		DEPOSITS	DATE	BALANCE	UNCOLLECTED DUE DATE
AMOUNT BROUGHT FORWARD					
		10,083.33	OCT 1'45	10,083.33*	
		[illegible]	[illegible]	[illegible]*	
	IN	50.54	JUN27'46	10,159.88*	
	IN	[illegible]	[illegible]	[illegible]*	
	IN	51.04	JUN1'47	[illegible]*	
	IN	51.56	JUN30'48	10,363.77*	
	IN	[illegible]	[illegible]	[illegible]	
	IN	52.07	JUN30'49	10,467.65*	
	IN	52.33	DEC31'49	10,519.98*	
			MATURITY	.00*	

10,519.98-

Exhibit MMM

Exhibit NNN → N109a

Exchange Bank of St Augustine
HAMILTON NATIONAL BANK
St Augustine Fla Oct 1 1945
PAY TO THE ORDER OF Home Bank & Trust Co $1003.33
Two thousand eight three & 33/100 Dollars
COUNTER CHECK
W. Y. Jackson

PAY TO THE ORDER OF ANY BANK, BANKER OR TRUST CO
OCT 1 1945
The Home Bank & Trust Company
64-1226 Ponte Vedra Beach Fla

TAX COURT OF THE U.S.
MARKED FOR IDENTIFICATION
ADMITTED IN EVIDENCE
DEC 21 1953
PETITIONER'S EXHIBIT
RES. DIV. U.S. EXHIBIT NNN
DOCK'T. NO. 70811

14

1110a

THE ROME BANK AND TRUST COMPANY

ROME, GEORGIA March 16 1950 No.

PAY TO THE ORDER OF Cash. Savings written $105.19

One thousand five Hundred Sixty + 48/100 DOLLARS

FOR Savings Acct I [illegible] account

Savings Book # L 16

Exhibit OOO

EAST CHATTANOOGA BRANCH

HAMILTON NATIONAL BANK

EAST CHATTANOOGA, TENN.

SHEET No. ——

NAME JACKSON HARP CO.,ESC ASCT.

SIGNATURE ——— ADDRESS ———

OLD BALANCE	DATE	CHECKS IN DETAIL	DATE	DEPOSITS	DATE	NEW BALANCE
		BALANCE BROUGHT FORWARD				
					29	164,950.19
167,087.87	29	107.68				
164,950.19	31	236.00 - 100.00 - 821.00 -				
	31	81,016.82 - 18,581.00 - 250.00 -				
	31	1,089.63 - 17,899.00 -				
	31	33,343.40 - 9,295.00			31	68,713.58
68,713.58	31	750.00 - 1,750.00 - 1,636.00	31	100,000.00		
	31	1,178.79				
67,491.43	31	250.00 - 1,682.24				
60,539.19	31	1,111.87 - 871.42 - 1,536.68				
57,039.22	31	205.49 - 70.00 - 183.83 - 7,144.04				
47,762.59	6	100.00 - 993.13				
46,759.46	8	205.49 - 823.65				
45,730.32	9	45,000.00 - 57.62				
15.90	10	1,827.34				
1,073.44 -	11	100.00 - 390.40 - 2,838.40 -				
304.41 -	12	310.00 - 74.87				
7,016.26 -	12	1,838.00 - 1,820.00 - 7,249.35	12	4,500.00		
	14	1,990.64 - 25.00 - 5,066.57				
	15	450.00 -				
23,601.43	15	1,539.00 - 1,871.38				
21,171.26	16	530.00				
16,412.30	17	388.00 - 1,485.92 - 7,433.39	17	91,557.20		
80,383.58	18	117.45 - 2,087.00 - 49.00 -				
	18	160.80 - 1,645.24				
76,391.02	19	200.00 - 1,248.73				
74,122.29	21	15.00 - 1,171.04 - 800.00 - 501.25				
69,427.00	22	5,995.56				
63,431.44	23	250.00 - 1,259.24				
	24	7,372.31				
		750.00 - 1,286.47				

Exhibit XXX

1111a

1112a

Chattanooga, Tenn., DEC 5 1944 194

HAMILTON NATIONAL BANK
CHATTANOOGA, TENN.

87-36

No. 12628

EAST CHATTANOOGA BRANCH

$ 10,298.13

Pay to the order of MERCHANTS BANK, Cleveland, Tenn.

EAST CHATTA. $10298&13CTS. DOLLARS

CASHIER'S CHECK

[redacted]

ASSISTANT CASHIER

Exhibit 5-N

Exhibit 5-O

Chattanooga, Tenn. May 1, 1944 194

HAMILTON NATIONAL BANK
CHATTANOOGA, TENN.
87-36
EAST CHATTANOOGA BRANCH
78

No. 1213

$ 10,300.00

Pay to the order of Exchange Bank of St Augustine.

EAST CHATT'G $10300 00 CTS DOLLARS

CASHIER'S CHECK

E Edwards
ASSISTANT CASHIER

1113a

1114a

Chattanooga, Tenn., Feb 8, 1945 194

PAID

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE

87-36

No. 12755

EAST CHATTANOOGA BRANCH

$ 10,000.00

8736

Pay to the order of Sears [illegible] Bank.

EAST CHATTA $10000 & 00 CTS DOLLARS

CASHIER'S CHECK

[signature]

AUTHORIZED CASHIER

Exhibit 5-P

Part of Ex 47

87-36
NUMBER

HAMILTON NATIONAL BANK

EAST CHATTANOOGA BRANCH

, EAST CHATTANOOGA, TENN. June 5, 194 6

PAY TO THE ORDER OF Hamilton National Bank, East Chattanooga Branch $ 50,800.00

EXACTLY FIFTY THOUSAND EIGHT HUNDRED AND 00 CTS DOLLARS

COUNTER CHECK
Note

Mrs. A. J. Jackson

NAME MRS ALICE J JACKSON

ADDRESS

Part of Ex 47

IN ACCOUNT WITH

HAMILTON NATIONAL BANK
CHATTANOOGA, TENN.
EAST CHATTANOOGA BRANCH

SAFE DEPOSIT BOXES FOR RENT

STATEMENT OF YOUR ACCOUNT TO CLOSE OF BUSINESS
PLEASE EXAMINE AT ONCE. IF NO ERROR IS REPORTED IN TEN DAYS THE ACCOUNT WILL BE CONSIDERED CORRECT

DATE	CHECKS IN DETAIL	DATE	DEPOSITS
	BALANCE BROUGHT FORWARD		
MAR 11	430.02	MAR 11	7,600.00
MAR 15	105.25		
MAR 18	7,353.19		
		MAR 20 '46	200.00
		MAY 13 '46	1,975.4
		MAY 16 '46	233.6
JUN 5	50,800.00	JUN 5	51,[illegible]
AUG 2 '46	2,223.03	JUL 26 '46	5,[illegible]
SEP 14 '46	9493		

Service charge.....cents will be charged on next statement.

BALANCE AT CLOSE OF BUSINESS [illegible] 380.15

This statement is furnished to our customers instead of balancing the pass book. It saves you the trouble of bringing your pass book to the bank and waiting for it to be balanced. These statements will be found very convenient to check up and file

USE YOUR PASS BOOK ONLY AS A RECEIPT BOOK IN MAKING DEPOSITS.

TEXT IS POOR

Exhibit 47

1115a

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE

CHATTANOOGA, TENN. _____ 19__

90 DAYS AFTER DATE I PROMISE TO PAY TO

THE ORDER OF THE HAMILTON NATIONAL BANK

Fifty Thousand 00/100 DOLLARS

AT THE HAMILTON NATIONAL BANK

VALUE RECEIVED WITH LEGAL RATE OF INTEREST AFTER MATURITY UNTIL PAID. IF THIS NOTE IS COLLECTED BY AN ATTORNEY, BY SUIT OR OTHERWISE, WE AGREE TO PAY ALL ATTORNEY'S FEES AND COSTS OF COLLECTION. IT IS AGREED BY MAKERS AND INDORSERS HEREOF, THAT DEMAND, PROTEST AND NOTICE OF PROTEST OF THIS NOTE ARE EXPRESSLY WAIVED, AND THAT THE HOLDER MAY GRANT AN EXTENSION, OR EXTENSIONS OF THE TIME OF PAYMENT OF THIS NOTE OR ANY PART THEREOF TO THE SAME OR ANY OTHER PERSONS, WITHOUT RELEASING THE LIABILITY OF ANY OTHER PARTIES HEREUNDER LIABLE WHO HEREBY EXPRESSLY WAIVE NOTICE OF ANY EXTENSION OF TIME, AND RENOUNCE AGAINST THEM, OR EITHER OF THEM, ALL RIGHTS OF HOMESTEAD.

DUE _____

NO. _____

FORM 100

W. D. Jackson

A. J. Jackson

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE

$ 20,000.00 CHATTANOOGA, TENN. July 1st 1945

Six months DATE AFTER DATE I PROMISE TO PAY TO

THE ORDER OF THE Hamilton National Bank

Fifty thousand 00/100 DOLLARS

AT THE HAMILTON NATIONAL BANK

VALUE RECEIVED WITH LEGAL RATE OF INTEREST AFTER MATURITY UNTIL PAID. IF THIS NOTE IS COLLECTED BY AN ATTORNEY, BY SUIT OR OTHERWISE, WE AGREE TO PAY ALL ATTORNEY'S FEES AND COSTS OF COLLECTION. IT IS AGREED BY MAKERS AND INDORSERS HEREOF, THAT DEMAND, PROTEST AND NOTICE OF PROTEST OF THIS NOTE ARE EXPRESSLY WAIVED, AND THAT THE HOLDER MAY GRANT AN EXTENSION, OR EXTENSIONS OF THE TIME OF PAYMENT OF THIS NOTE OR ANY PART THEREOF TO THE SAME OR ANY OTHER PERSONS, WITHOUT RELEASING THE LIABILITY OF ANY OTHER PARTIES HEREUNDER LIABLE WHO HEREBY EXPRESSLY WAIVE NOTICE OF ANY EXTENSION OF TIME, AND RENOUNCE AGAINST THEM, OR EITHER OF THEM, ALL RIGHTS OF HOMESTEAD.

DUE _____

NO. _____

FORM 100

HAMILTON NATIONAL BANK NATIONAL BANK CHATTANOOGA, TENN.

W. D. Jackson

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE

$ 50000 CHATTANOOGA, TENN. Jan 1 19 45

6 mo DAYS AFTER DATE I PROMISE TO PAY TO

THE ORDER OF THE HAMILTON NATIONAL BANK

Fifty thousand DOLLARS

AT THE HAMILTON NATIONAL BANK

VALUE RECEIVED WITH LEGAL RATE OF INTEREST AFTER MATURITY UNTIL PAID. IF THIS NOTE IS COLLECTED BY AN ATTORNEY, BY SUIT OR OTHERWISE, WE AGREE TO PAY ALL ATTORNEY'S FEES AND COSTS OF COLLECTION. IT IS AGREED BY MAKERS AND INDORSERS HEREOF, THAT DEMAND, PROTEST AND NOTICE OF PROTEST OF THIS NOTE ARE EXPRESSLY WAIVED, AND THAT THE HOLDER MAY GRANT AN EXTENSION, OR EXTENSIONS OF THE TIME OF PAYMENT OF THIS NOTE OR ANY PART THEREOF TO THE SAME OR ANY OTHER PERSONS, WITHOUT RELEASING THE LIABILITY OF ANY OTHER PARTIES HEREUNDER LIABLE WHO HEREBY EXPRESSLY WAIVE NOTICE OF ANY EXTENSION OF TIME, AND RENOUNCE AGAINST THEM, OR EITHER OF THEM, ALL RIGHTS OF HOMESTEAD.

DUE _____

NO. _____

FORM 100

W. D. Jackson

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE

$ 50000 CHATTANOOGA, TENN. July 1 19 45

90 DAYS AFTER DATE DUE PROMISE TO PAY TO

THE ORDER OF THE HAMILTON NATIONAL BANK

Fifty thousand DOLLARS

AT THE HAMILTON NATIONAL BANK

VALUE RECEIVED WITH LEGAL RATE OF INTEREST AFTER MATURITY UNTIL PAID. IF THIS NOTE IS COLLECTED BY AN ATTORNEY, BY SUIT OR OTHERWISE, WE AGREE TO PAY ALL ATTORNEY'S FEES AND COSTS OF COLLECTION. IT IS AGREED BY MAKERS AND INDORSERS HEREOF, THAT DEMAND, PROTEST AND NOTICE OF PROTEST OF THIS NOTE ARE EXPRESSLY WAIVED, AND THAT THE HOLDER MAY GRANT AN EXTENSION, OR EXTENSIONS OF THE TIME OF PAYMENT OF THIS NOTE OR ANY PART THEREOF TO THE SAME OR ANY OTHER PERSONS, WITHOUT RELEASING THE LIABILITY OF ANY OTHER PARTIES HEREUNDER LIABLE WHO HEREBY EXPRESSLY WAIVE NOTICE OF ANY EXTENSION OF TIME, AND RENOUNCE AGAINST THEM, OR EITHER OF THEM, ALL RIGHTS OF HOMESTEAD.

DUE _____

NO. _____

FORM 100

W. D. Jackson

Mrs. W. R. Jackson

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE

$ 50000 CHATTANOOGA, TENN. Aug 1 19 45

90 DAYS AFTER DATE I PROMISE TO PAY TO

THE ORDER OF THE HAMILTON NATIONAL BANK

Fifty thousand DOLLARS

AT THE HAMILTON NATIONAL BANK

VALUE RECEIVED WITH LEGAL RATE OF INTEREST AFTER MATURITY UNTIL PAID. IF THIS NOTE IS COLLECTED BY AN ATTORNEY, BY SUIT OR OTHERWISE, WE AGREE TO PAY ALL ATTORNEY'S FEES AND COSTS OF COLLECTION. IT IS AGREED BY MAKERS AND INDORSERS HEREOF, THAT DEMAND, PROTEST AND NOTICE OF PROTEST OF THIS NOTE ARE EXPRESSLY WAIVED, AND THAT THE HOLDER MAY GRANT AN EXTENSION, OR EXTENSIONS OF THE TIME OF PAYMENT OF THIS NOTE OR ANY PART THEREOF TO THE SAME OR ANY OTHER PERSONS, WITHOUT RELEASING THE LIABILITY OF ANY OTHER PARTIES HEREUNDER LIABLE WHO HEREBY EXPRESSLY WAIVE NOTICE OF ANY EXTENSION OF TIME, AND RENOUNCE AGAINST THEM, OR EITHER OF THEM, ALL RIGHTS OF HOMESTEAD.

DUE _____

NO. _____

FORM 100

W. D. Jackson

Exhibit 48

N16

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE
DUE
NO.
CHATTANOOGA, TENN.
DATE AFTER DATE
HAMILTON NATIONAL BANK
DOLLARS

1118a

Exhibit 50

Ex 50
also part of
Ex 76

87-36
NUMBER

HAMILTON NATIONAL BANK

EAST CHATTANOOGA BRANCH

EAST CHATTANOOGA, TENN. Jan 7 1940

PAY TO THE ORDER OF Hamilton Bk $275.00

Two hundred seventy five and no/100 DOLLARS

COUNTER CHECK

L. R. Dickson

TEXT

IS POOR

Exhibit 51

1119a

Exhibit 52

ANALYSIS OF FICTITIOUS BANK ACCOUNTS

By W. R. Jackson Counsel

INDEX

SCHEDULE 1 - Copy of Schedule 14 from report of December 30, 1952 by Examining Officer J. B. Strader

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JACKSON TAX CASES

COPY OF SCHEDULE 14 FROM REPORT OF DECEMBER 30, 1952

BY EXAMINER OFFICER J. B. BRANNON

SCHEDULE 14 - YEARS 1941-1945 , Incl.

ADDITIONAL INCOME - BANK DEPOSITS

Year	Name of Account		Amount	Transfers, etc.	Income of: W. R. Jackson	Jackson Mfg. Co.	SCHEDULE 1 Cleveland Chair Co.
1941	Mrs. W. R. Jackson	(Rct)	$ 3,150.00		$ 1,950.00	$ 1,200.00	
	W. R. Jackson		16,800.20		2,607.63	14,192.57	
TOTALS 1941			19,950.20		4,557.63	15,392.57	
1942	Mrs. W. R. Jackson	(Rct)	1,468.31			1,468.31	
	W. R. Jackson		4,321.68			4,321.68	
	Wooten and Jackson		5,539.65			5,539.65	
	John Jones		23,601.72	5,708.00		14,566.12	3,327.60
	Checks Cashed		250.00			250.00	
TOTALS 1942			35,181.36	5,708.00		26,145.76	3,327.60
1943	John Jones		115,896.53			112,316.20	3,580.33
	Jolly Jewell		79,674.89			4,333.08	75,339.81
	Howard Johnson		61,532.69	16,268.07		24,908.63	20,755.99
	Thomas Rogers		25,000.00	25,000.00			
	Samual Johnson [Jackson*]		25,000.00	25,000.00			
	Melvin Lee		25,000.00	25,000.00			
	Bertha Jewell		71,378.12	9,769.03		20,603.22	41,003.87
	W. R. Wooten		80,429.45	25,000.00		55,429.45	
	Herbert Jewell		66,066.26			3,792.13	62,274.13
	Checks Cashed		4,056.29			3,879.01	177.28
TOTALS 1943			594,034.25	126,037.10		234,865.72	203,131.41
1944	Jolly Jewell		32,917.43				32,917.43
	John Jones		8,516.52			8,516.52	
	Ralph Wooten		35,984.48			35,984.48	
	Rae Iobill		12,000.00	12,000.00			
	Jim Jolly		12,000.00	12,000.00			
	Checks Cashed		10,447.80			5,708.14	4,639.66
TOTALS 1944			111,866.23	24,000.00		50,209.14	37,577.09
1945	Checks Cashed		20,041.68			8,232.94	11,808.74
TOTALS 1945			20,041.68			8,232.94	11,808.74

*Correction of Apparent Error in Original Schedule

JACKSON TAX CASES

COPY OF SCHEDULE 13 FROM REPORT OF DECEMBER 30, 1952

BY EXAMINER OFFICER J. B. GERAGHTY

SCHEDULE 13 - YEARS 1940-1952, Incl.

ADJUSTED INCOME

EXHIBIT 2

W. R. Jackson

Name of Account	Name of Bank	1940	1941	1944	1945	1946	1947	1948	1952
(1) John Jones	Hamilton Nat'l B. Chattanooga Branch	$	$ 270.10	$ 296.30	$ 283.70	$ 235.48	$ 237.00	$ 239.10	$ 241.40
(2) Herbert Jewell	" " " " "			290.30	88.15	46.95			
(3) Howard Johnson	" " " " "			181.30	267.60	119.04	120.10	121.15	122.30
(4) John [Jolly*] Jewell	" " " " "		38.60	419.75					
(5) Jim Jolly	" " " " "				73.05	86.50			
(6) Roe Isbill	" " " " "				18.75	8.95			
(7) W. R. Jackson	Exchange Bank of St. Augustine, Fla.			83.33	100.97	1.00			
(8) W. R. Jackson	Rome Bank and Trust Co., Rome, Georgia				85.83	101.33	102.34	103.77	104.40
(9) TOTALS			308.70	1,210.98	736.43	538.85	459.44	463.62	468.10
(10) Applicable to W. R. Jackson - 55% of Item 9			169.79	666.04	404.04	296.37	252.69	254.99	257.46
(11) W. R. Jackson - Personal Acct.	Hamilton Nat'l B. Chattanooga Branch	18.90							
(12) TOTALS - W. R. Jackson		18.90	169.79	666.04	404.04	296.37	252.69	254.99	257.46
(13) Applicable to Alice J. Jackson - 45% of Item 9			138.91	544.94	330.39	242.48	206.75	208.63	210.64
(14) Mr. [Mrs.*] W. R. Jackson - Personal Acct.	Hamilton Nat'l B. Chattanooga Branch	31.60	49.80	99.15	103.40	99.84	221.80	493.33	142.43
(15) TOTALS - Alice J. Jackson		31.60	188.71	644.09	443.79	342.32	428.65	702.98	353.07
(16) TOTALS - W. R. and Alice J. Jackson		44.90	358.50	1,310.13	899.83	638.69	681.34	956.97	610.53

* Correction of Apparent Error in Original Schedule

JACKSON TAX CASES

ANALYSIS OF R A R BANK DEPOSIT DATA FOR YEAR 1941

SCHEDULE 1

Date	Name of Account	Type of Account	Name of Bank	Deposits	Alleged To Be Income of Jackson Mfg. Co.	Alleged To Be Income of W. R. Jackson
June 30, 1941	Mrs. W. R. Jackson	Savings	Hamilton National Bank-East Chattanooga Branch	1,950.00		1,950.00
Dec. 31, 1941	Mrs. W. R. Jackson	Savings	Hamilton National Bank-East Chattanooga Branch	1,200.00	1,200.00	
June 30, 1941	W. R. Jackson	Savings	Hamilton National Bank-East Chattanooga Branch	2,607.63		2,607.63
Dec. 31, 1941	W. R. Jackson	Savings	Hamilton National Bank-East Chattanooga Branch	14,192.57	14,192.57	
TOTALS				19,950.20	15,392.57	4,557.63

JACKSON TAX CASES

ANALYSIS OF R / R BANK DEPOSIT DATA FOR YEAR 1942

SCHEDULE 4

Deposit Date	Name of Account	Endorsement	Deposits	Transfers Etc.	Cashed Checks	Alleged To Be Income of Jackson Mfg. Co.	Alleged To Be Income of Cleveland Chair Company
Mar. 4, 1942	Check Cashed	Jackson Manufacturing Company			131.23	131.23	
Mar. 25, 1942	Wooten and Jackson	Jackson Manufacturing Company	107.25			107.25	
Mar. 27, 1942	Wooten and Jackson	Jackson Manufacturing Company	71.01			71.01	
April 6, 1942	Wooten and Jackson	Jackson Manufacturing Company	207.50			207.50	
April 10, 1942	Wooten and Jackson	Jackson Manufacturing Company	101.44			101.44	
April 15, 1942	Wooten and Jackson	Jackson Manufacturing Company	231.23			231.23	
April 17, 1942	Wooten and Jackson	Jackson Manufacturing Company	300.00			300.00	
May 5, 1942	Wooten and Jackson	Jackson Manufacturing Company	246.94			246.94	
May 24, 1942	Wooten and Jackson	Jackson Manufacturing Company	272.04			272.04	
May 26, 1942	Wooten and Jackson	Jackson Manufacturing Company	196.30			196.30	
June 5, 1942	Wooten and Jackson	Jackson Manufacturing Company	559.94			559.94	
June 10, 1942	Wooten and Jackson	Jackson Manufacturing Company	3,246.00			3,246.00	
June 17, 1942	John Jones	From Wooten and Jackson	5,708.00	5,708.00			
June 18, 1942	Check Cashed	Jackson Manufacturing Company			56.00	56.00	
July 2, 1942	John Jones	Jackson Manufacturing Company and Cleveland Chair	222.94			180.48	42.46
July 8, 1942	John Jones	Jackson Manufacturing Company	42.00			42.00	
July 13, 1942	John Jones	Jackson Manufacturing Company	1,777.71			1,777.71	
July 22, 1942	John Jones	Jackson Manufacturing Company	178.61			178.61	
July 24, 1942	John Jones	Cleveland Chair Company	595.48				595.48
Aug. 7, 1942	John Jones	Cleveland Chair Company	176.54				176.54
Aug. 17, 1942	John Jones	Jackson Manufacturing Company	96.68			96.68	
Sept. 2, 1942	John Jones	Jackson Manufacturing Company	554.57			554.57	
Sept. 4, 1942	John Jones	Jackson Manufacturing Company	30.24			30.24	
Sept. 9, 1942	John Jones	Jackson Manufacturing Company and Cleveland Chair	277.88			241.50	36.38
Sept. 28, 1942	John Jones	Jackson Manufacturing Company	413.80			413.80	
Oct. 13, 1942	John Jones	Jackson Manufacturing Company	2,127.04			2,127.04	
Oct. 13, 1942	John Jones	Jackson Manufacturing Company	195.00			195.00	
Oct. 28, 1942	Check Cashed	Jackson Manufacturing Company			62.77	62.77	
Nov. 10, 1942	John Jones	Jackson Manufacturing Company and Cleveland Chair	3,388.69			1,659.00	1,729.69
Nov. 24, 1942	John Jones	Jackson Manufacturing Company	1,659.97			1,659.97	
Dec. 3, 1942	John Jones	Jackson Manufacturing Company and Cleveland Chair	2,280.36			2,074.45	206.31
Dec. 14, 1942	John Jones	Jackson Manufacturing Company	1,404.63			1,404.63	
Dec. 23, 1942	John Jones	Jackson Manufacturing Company	290.00			290.00	
Dec. 31, 1942	John Jones	Jackson Manufacturing Company and Cleveland Chair	2,180.98			1,640.44	540.54
1942	W. R. Jackson	Jackson Manufacturing Company	1,468.31			1,468.31	
1942	Mrs. W. R. Jackson	Jackson Manufacturing Company	4,321.68			4,321.68	
TOTALS			34,931.36	5,708.00	250.00	26,145.76	3,327.60

JACKSON TAX CASES

ANALYSIS OF R A R BANK DEPOSIT DATA FOR 1943

SCHEDULE 5

Deposit Date	Name of Account	Endorsement	Deposits	Transfers Etc.	Checks Cashed	Alleged To Be Income: Jackson Mfg. Co.	Alleged To Be Income: Cleveland Chair Company
Jan. 13, 1943	John Jones	Jackson Manufacturing Company and Cleveland Chair	354.33			332.33	22.00
Jan. 25, 1943	Check Cashed	Jackson Manufacturing Company and Cleveland Chair			134.32	14.20	120.12
Feb. 12, 1943	John Jones	Jackson Manufacturing Company and Cleveland Chair	1,453.01			402.48	1,050.53
Feb. 23, 1943	John Jones	Jackson Manufacturing Company and Cleveland Chair	782.89			630.81	152.08
Feb. 26, 1943	Check Cashed	Jackson Manufacturing Company			214.62	214.62	
Feb. 27, 1943	John Jones	Jackson Manufacturing Company	5,456.15			5,456.15	
Mar. 4, 1943	Jolly Jewell	Cleveland Chair Company	10,932.95				10,932.95
Mar. 4, 1943	John Jones	Jackson Manufacturing Company	7,176.37			7,176.37	
Mar. 12, 1943	John Jones	Jackson Manufacturing Company	5,000.00			5,000.00	
Mar. 16, 1943	John Jones	Jackson Manufacturing Company	454.34			454.34	
Mar. 16, 1943	Jolly Jewell	Jackson Manufacturing Company	300.70			300.70	
Mar. 18, 1943	Jolly Jewell	Cleveland Chair Company	4,799.72				4,799.72
Mar. 18, 1943	John Jones	Jackson Manufacturing Company and Cleveland Chair	14,624.95			12,269.23	2,355.72
Mar. 18, 1943	Checks Cashed	Jackson Manufacturing Company			174.80	174.80	
April 2, 1943	Jolly Jewell	Jackson Manufacturing Company	809.66			809.66	
April 2, 1943	John Jones	Jackson Manufacturing Company	11,651.27			11,651.27	
April 12, 1943	John Jones	Jackson Manufacturing Company	5,000.00			5,000.00	
April 26, 1943	John Jones	Jackson Manufacturing Company	1,095.00			1,095.00	
April 26, 1943	Jolly Jewell	Jackson Manufacturing Company	856.44			856.44	
April 30, 1943	Check Cashed	Jackson Manufacturing Company			207.04	207.04	
May 5, 1943	John Jones	Jackson Manufacturing Company	350.00			350.00	
May 5, 1943	Jolly Jewell	Jackson Manufacturing Company	312.08			312.08	
May 10, 1943	John Jones	Jackson Manufacturing Company	1,500.00			1,500.00	
May 12, 1943	John Jones	Jackson Manufacturing Company	3,378.39			3,378.39	
May 22, 1943	John Jones	Jackson Manufacturing Company	979.86			979.86	
May 22, 1943	Jolly Jewell	Jackson Manufacturing Company	184.01			184.01	
June 3, 1943	John Jones	Jackson Manufacturing Company	4,100.00			4,100.00	
July 1, 1943	John Jones	Jackson Manufacturing Company	1,831.05			1,831.05	
July 19, 1943	John Jones	Jackson Manufacturing Company	24,378.04			24,378.04	
July 19, 1943	Jolly Jewell	Jackson Manufacturing Company and Cleveland Chair	22,694.87			245.20	22,449.67
July 20, 1943	John Jones	Jackson Manufacturing Company	7,653.60			7,653.60	
July 20, 1943	Checks Cashed	Jackson Manufacturing Company			1,428.32	1,428.32	
July 20, 1943	Howard Johnson	From Account of John Jones	16,868.07	16,868.07			
July 20, 1943	Thomas Rogers	From Account of John Jones	25,000.00	25,000.00			
July 20, 1943	Samuel Jackson	From Account of John Jones	25,000.00	25,000.00			
July 20, 1943	Melvin Lee	From Account of John Jones	25,000.00	25,000.00			
July 20, 1943	Bertha Jewell	From Account of Jolly Jewell	9,769.03	9,769.03			
July 27, 1943	Jolly Jewell	Jackson Manufacturing Company and Cleveland Chair	17,886.56			2,786.99	15,041.57

JACKSON TAX CASES

ANALYSIS OF R A R BANK DEPOSIT DATA FOR 1943

(CONCLUDED)

SCHEDULE 5

Deposit Date	Name of Account	Endorsement	Deposits	Transfers Etc.	Checks Cashed	Alleged To Be Income: Jackson Mfg. Co.	Alleged To Be Income: Cleveland Chair Company
Aug. 27, 1943	W. E. Wooten	Jackson Manufacturing Company	60,178.73	(1)25,000.00		35,178.73	
Aug. 27, 1943	Bertha Jewell	Cleveland Chair Company	33,329.65				33,329.65
Aug. 30, 1943	Check Cashed	Jackson Manufacturing Company			1,787.52	1,787.52	
Sept. 13, 1943	John Jones	Jackson Manufacturing Company	18,477.28			18,477.28	
Sept. 13, 1943	Bertha Jewell	Cleveland Chair Company	7,716.57			42.35	7,674.22
Sept. 13, 1943	Checks Cashed	Cleveland Chair Company			57.16		57.16
Sept. 21, 1943	Checks Cashed	Jackson Manufacturing Company			52.51	[illegible].51	
Oct. 26, 1943	Howard Johnson	Cleveland Chair and Jackson Manufacturing Company	23,218.03			2,468.04	20,749.99
Oct. 26, 1943	Bertha Jewell	Jackson Manufacturing Company	20,562.87			20,562.87	
Nov. 24, 1943	W. E. Wooten	Jackson Manufacturing Company	20,250.72			20,250.72	
Nov. 24, 1943	Jolly Jewell	Cleveland Chair	22,115.90				22,115.90
Dec. 15, 1943	Herbert Jewell	Cleveland Chair and Jackson Manufacturing Company	66,066.26			3,792.13	62,274.13
Dec. 15, 1943	Howard Johnson	Jackson Manufacturing Company	22,046.59			22,046.59	
TOTALS			549,277.94	186,037.10	4,056.29	224,865.72	201,131.41

(1) From Account of Thomas Rogers

JACKSON TAX CASES

ANALYSIS OF B A B BANK DEPOSIT DATA FOR YEAR 1944

SCHEDULE 6

Deposit Date	Name of Account	Endorsement	Deposits	Transfers, Etc.	Checks Cashed	Allegad To Be Income of: Jackson Mfg. Co.	Allegad To Be Income of: Cleveland Chair Company
Jan. 8, 1944	Jelly Jewell	Cleveland Chair Company	38,917.43				38,917.43
Jan. 8, 1944	John Jones	Jackson Manufacturing Company	8,516.98			8,516.98	
Jan. 31, 1944	Ralph Wooten	Jackson Manufacturing Company	35,984.48			35,984.48	
Feb. 25, 1944	Check Cashed	Jackson Manufacturing Company			1,993.79	1,993.79	
Mar. 15, 1944	Check Cashed	Cleveland Chair Company			38.60		38.60
Mar. 18, 1944	Check Cashed	Cleveland Chair Company			70.60		70.60
April 17, 1944	Check Cashed	Cleveland Chair Company			60.34		60.34
May 1, 1944	Check Cashed	Cleveland Chair Company			31.50		31.50
May 26, 1944	Check Cashed	Jackson Manufacturing Company			3,766.85	3,766.85	
Sept. 12, 1944	Check Cashed	Cleveland Chair Company			4,458.62		4,458.62
Sept. 15, 1944	Rae Isbill	From Account of Herbert Jewell	12,000.00	12,000.00			
Sept. 15, 1944	Jim Jelley	From Account of Herbert Jewell	12,000.00	12,000.00			
Dec. 23, 1944	Check Cashed	Jackson Manufacturing Company			27.22	27.22	
TOTALS			101,418.43	24,000.00	10,447.80	50,889.14	37,577.09

JACKSON TAX CASES

ANALYSIS OF B.A.R. BANK DEPOSIT DATA FOR YEAR 1945

(CUSTOMER'S SERIES CASES)

SCHEDULE 7

Date 1945	Endorsement	Alleged To Be Income of Jackson Mfg. Co.	Alleged To Be Income of Cleveland Chair Co.
Feb. 5	Cleveland Chair Company		40.92
Mar. 7	Cleveland Chair Company		49.75
Apr. 23	Cleveland Chair Company		38.45
Apr. 23	Cleveland Chair Company		30.08
Apr. 23	Jackson Manufacturing Company	1,561.51	
Apr. 23	Jackson Manufacturing Company	4,457.35	
Apr. 23	Cleveland Chair Company		1,485.88
Apr. 23	Cleveland Chair Company		2,015.38
Apr. 23	Cleveland Chair Company		450.00
June 6	Cleveland Chair Company		1,835.68
June 6	Cleveland Chair Company		
June 6	Jackson Manufacturing Company	2,214.08	
July 23	Cleveland Chair Company		418.80
July 23	Cleveland Chair Company		68.80
Sept. 6	Cleveland Chair Company		2,872.77
Sept. 13	Cleveland Chair Company		195.65
Sept. 14	Cleveland Chair Company		965.68
Sept. 14	Cleveland Chair Company		1,300.33
Oct. 18	Cleveland Chair Company		40.63
	TOTALS	8,232.94	11,808.74

JACKSON TAX CASES

ANALYSIS OF WITHDRAWALS FROM FICTITIOUS ACCOUNTS

SCHEDULE B

	Date	Amount	Transferred	1942	1943	1944	1945	1946	1947	1948	1949
Wooten aka Jackson	6-17-42		5,539.65								
Thomas Rogers	8-28-43	25,000.00			25,000.00						
Jim Jolley	10-10-44	2,270.19				2,270.19					
	7-17-45	4,500.00					4,500.00				
	4-10-46	5,329.36						5,329.36			
Jolly Jewell - Bertha Jewell	7-20-47 (Y)		5,769.03								
	4- 1-44	100,000.00				100,000.00					
	4- 3-44	3,014.14				3,014.14					
	7- 3-44	267.50				267.50					
Howard Johnson	11-26-43	30,000.00			30,000.00						
	10-17-44	20,000.00				20,000.00					
	1- 9-46	11,000.00						11,000.00			
	7-21-49	5,000.00									5,000.00
	7-29-49	6,000.00									6,000.00
	7-30-49	1,329.18									1,329.18
John Jones	7-20-43		91,268.07								
	8-12-43	2,000.00			2,000.00						
	10- 4-43	2,000.00			2,000.00						
	11-26-43	20,000.00			20,000.00						
	2- 8-45	10,000.00					10,000.00				
	7-21-49	5,000.00									5,000.00
	7-21-49	10,000.00									10,000.00
	7-26-49	5,000.00									5,000.00
	7-29-49	4,000.00									4,000.00
	7-30-49	324.98									324.98
Roe Isbill	12-11-44	10,298.13				10,298.13					
	4-10-46	1,723.17						1,723.17			
Herbert Jewell	4- 6-44	30,000.00				30,000.00					
	4-29-44	10,000.00				10,000.00					
	9-15-44	15,000.00				15,000.00					
	9-23-44	500.00				500.00					
	9-27-44	1,500.00				1,500.00					
	4-10-46	9,436.66						9,436.66			
TOTALS		~~330,493.31~~ 309,493.31	106,576.75	-0-	79,000.00	~~102,849.96~~ 102,849.96	14,500.00	~~27,489.39~~ 16,489.19			36,654.16

[redacted]

[redacted]	[redacted]
Bertha Jewell	72,378.32
Samuel Jackson	25,000.00 *
Melvin Lee	25,000.00 *
Ralph Weston	35,965.18
V. E. Weston	[redacted]
	212,792.05

* Shown to be transferred accounts from John Jones account.

February 13, 1945

Mr. W. R. Jackson
c/o Jackson Mfg. Co.
2000 Elmendorf St.
Chattanooga, Tenn.

Dear Mr. Jackson:

We were very happy to receive your check in the amount of $10,000.00, which we have credited to your personal account. We wish to express our sincere appreciation for this business and to welcome you as one of our depositors. We trust that you will make full use of our facilities, and that you will call on us whenever we can be of any service to you.

Mr. Ware, 601, Sears, Roebuck and Co. was in Saturday, and told me of his pleasant visit with you recently. He was glad to know that you had opened your personal account. We are eagerly looking forward also to the pleasure of serving one of your good companies, and hope that you will be in a position to favor us with a company account soon.

Enclosed you will find passbook, showing credit for your initial deposit. Under separate cover, I am forwarding to you a supply of envelopes and deposit slips, together with a personal check folder with some fillers. Should you desire to use larger checks, instead of the folder type, please let me know, and I will send you a supply.

We are planning on a trip to visit our customers in the spring, and will make it a point to drop in to see you. In the meantime, should you come to Sears, we hope you will find the opportunity of dropping in at the bank to get acquainted with our other officers.

With best personal regards, I am

Sincerely yours,

AVR:JS
Enc.

Ass't. Vice President

Exhibit 58

61 58

THE COMMERCIAL NATIONAL BANK

CAPITAL AND SURPLUS $240,000.00

CEDARTOWN, GA.

FOUNDED IN 1889 AS THE COMMERCIAL BANK

58/58

May 31, 1946

List of notes held as collateral to note of E. G. Dodd in the amount of $30,000.00.

Artis Christian Bill Penney	204.00
Henry Christian Bill Penney	206.60
Jim Conley Bill Penney	241.26
Harry Dodd, New Ford	632.60
J. D. Elkins	7,400.00
G. W. Jackson	2,000.00
A. E. Jernigan	1,558.00
L. R. Jernigan Chas Standifer A. E. Jernigan	2,150.00
Bill Penney	5,000.00
H. O. Shuptrine Mortgage	7,500.00
Meyer Winer	550.00
Total	27,442.46
	3 90V41
Bank	3 1244.87

Dr Ellis - at Chenoa, as ch it will go - time to time. I will give you a revised list Enclosed herein to your yesterday Letter and hope to be seeing you more soon. E G Dodd -

EX 59

W. R. JACKSON AND ALICE J. JACKSON

BOOKS, RECORDS AND DATA MAINTAINED

	Records Available
W. R. Jackson	
Bank Statements and cancelled checks -	
(a) Regular checking a/c N. H. B.	Some originals in 1946
(b) Savings a/c N. H. B.	No originals
(c) W. R. Jackson "Special" N. H. B.	No originals
(d) Wasten and Jackson a/c	No originals
(e) Mr. or Mrs. Checking a/c N. H. B.	No originals
(f) W. R. Jackson - Merchant's Bank, Cleveland	Few originals
(g) Jackson Farms a/c - Merchant's Bank, Cleveland	No originals
(h) Bond Book	
(i) Jackson Farms	
Alice J. Jackson (Mrs. W. R.)	
Bank Statements and Cancelled Checks -	
(a) Regular Checking a/c N. H. B.	Some in 1946
(b) Savings a/c N. H. B.	Pass Book Available
(c) Checking Account - Merchant's Bank	Some

Some Addenda at Trial

JACKSON TAX CASES

BOOKS, RECORDS AND REPORTS MAINTAINED

Jackson Manufacturing Company	Records Available
1. General Journal	Part 1947
2. Voucher Checks Disbursement	Part 1947 and 1948
3. Invoices - sales	Part 1944 and 1945
4. Invoices - payables	Part 1943, 1944 and 1945
5. Bank Statements	No originals
6. Cancelled Checks	No originals
7. Bills of Lading	Few in 1944
8. Receiving Reports	None
9. General Ledger	1944 through 1949
10. Accounts Receivable Cards	None (typed yearend lists 1943 through 1948)
11. Employee Earnings Records	None
12. Inventory Cards	None
13. Cost Sheets	Some in 1940, 1941 and 1942
14. Weekly Reports	Some scattered throughout years
15. Monthly Profit and Loss Statements	None
16. Minutes	Available
17. Stock Book	Available

JACKSON TAX CASES

BOOK, RECORDS AND REPORTS MAINTAINED

Cleveland Chair Company, Inc.	Records Available
1. General Journal	None
2. Voucher Checks Disbursement	None
3. Invoices - Sales	Part 1944 and 1945
4. Invoices - Payables	Part 1943, 1944 and 1945
5. Bank Statements	No originals
6. Cancelled Checks	No originals
7. Bills of Lading	None
8. Receiving Reports	None
9. General Ledger	1944, 1946 through 1949
10. Accounts Receivable Cards	None
11. Employee Earnings Records	None
12. Inventory Cards	None
13. Cost Sheets	Some scattered throughout years
14. Weekly Reports	Some scattered throughout years
15. Monthly Profit and Loss Statements	None
16. Minutes	Available
17. Stock Book	Available

JACKSON TAX CASES

SCHEDULE OF INTEREST PAYMENTS

SHOWN OR CLAIMED

	CLEVELAND CHAIR COMPANY			JACKSON MANUFACTURING COMPANY							
	Per Audits	Per Corporate Returns Where Different	Total By Years	Per Statements of Operations In Tax Returns	Per Partnership Audits	Per Corporate Audits	Total By Years	W. R. Jackson Per Returns	A. J. Jackson Per Returns	W. R. and A. J. Jackson Per Returns	Grand Total By Years
1937				387.92			387.92				
1938				586.28			586.28				
1939				608.70			608.70	608.70			
1940		1,100.31	1,100.31	46.45			46.45	46.45	-0-		46.45
1941		1,138.60	1,138.60	-0- *			-0-	-0-	-0-		-0-
1942	447.89		447.89		-0-		-0-	1,250.00	-0-		1,697.89
1943	350.14		350.14		-0-		-0-	-0-	-0-		350.14
1944	-0-		-0-		-0-		-0-	880.00	720.00		1,600.00
1945	50.57	-0-	50.57		306.69		306.69	955.00	1,145.00		2,457.26
1946	-0-		-0-			2,935.27	2,935.27	-0- **	-0- **		3,531.12
1947	4.97		4.97			-0-	-0-	-0-	-0-		4.97
1948	-0-	18.47	18.47			100.00	100.00			-0-	118.47
1949	-0-	-0-	-0-			83.33	83.33			-0-	83.33
TOTAL			3,110.95				5,054.64	3,740.15	1,865.00	-0-	9,889.63

* No Statement of Operations accompanying return.

* Only standard deduction taken in returns; however, following interest is known to have been paid in 1946 to Hamilton National Bank:

Mr. W. R. Jackson $175.83
Mrs. A. J. Jackson $420.02

* Cleveland Chair Company interest shown eliminated prior to 1942, all duplications eliminated in all years shown.

Ex 61

JACKSON TAX CASES

COMPARATIVE SCHEDULE OF NET INCOME (per Tax Returns filed) AND FEDERAL INCOME TAXES

FROM TAX RETURNS

	1941	1942	1943	1944	1945	1946	1947	1948	1949
NET INCOME BEFORE TAXES:									
Cleveland Chair Co. (Corporation)*	-0-	26,149.32	72,029.08	104,640.20	169,282.59	340,383.88	249,389.53	305,013.37	287,976.67
Jackson Manufacturing Co. (Corporation)**	-0-	-0-	-0-	-0-	-0-	453,918.65	228,138.30	123,158.35	248,386.26
W. R. Jackson***	29,931.39	44,802.63	59,402.32	99,097.16	103,349.82	60,891.84	46,122.77	68,229.42	89,481.97
Mrs. A. J. Jackson***	11,762.01	23,027.62	41,222.80	75,223.67	78,821.73	36,345.93	21,165.00	32,415.09	38,515.02
Total	41,693.40	99,979.57	172,654.20	278,961.03	351,454.14	891,540.30	538,755.60	522,816.14	574,899.92
FEDERAL INCOME TAX:									
Cleveland Chair Co. (Corporation)	-0-	11,176.06	47,694.37	71,965.79	124,120.53	129,345.87	94,616.08	115,905.08	78,749.91
Jackson Manufacturing Co. (Corporation)	-0-	-0-	-0-	-0-	-0-	172,489.09	84,392.12	46,800.17	94,363.98
W. R. Jackson	8,546.03	4,827.66	32,902.82	65,731.05	69,420.62	31,126.52	20,169.78	40,860.42	55,649.46
Mrs. A. J. Jackson	2,183.19	3,055.61	21,448.08	46,541.19	49,862.79	15,927.89	6,613.04		
Total	10,729.22	19,059.33	102,045.27	184,238.03	243,403.94	348,889.37	205,790.96	203,565.67	228,763.37

* Acquired by Mr. & Mrs. Jackson in 1942

** Partnership incorporated in 1946

*** Before non-business deductions and exemptions

JACKSON TAX CASES

COMPARISON OF PERCENTAGE OF NET INCOME TO NET SALES

	1941	1942	1943	1944	1945	1946	1947	1948	1949
& Bradstreet - Furniture Manufacturers (over 100 concerns each year)	3.10	2.71	3.31	4.63	4.52	5.82	5.24		
Economic Almanac For 1953-1954 - Furniture and Finished Lumber Products (After taxes)	4.7	3.3	3.0	3.4	3.0	5.2	4.9	4.0	2.9
thern Furniture Manufacturers' Association Upholsterers(Before Taxes)	6.38	5.42	6.19	6.46	8.53				
kson Manufacturing Company - Per Tax Return (Before Taxes)	4.52	9.46	9.57	13.99	12.71	23.25	15.80		
- Per Tax Return (After Taxes)						14.42	9.80		
- Per Addition of deficiency to sales and net profit (Before Taxes)	7.53	12.87	27.02	17.40	13.22				
- Per addition of deficiency to sales and net profit (After Taxes)									
- Per Addition of deficiency to sales and purchases (Before Taxes)	4.37	9.11	7.72	13.43	12.64				
- Per Addition of deficiency to sales and purchases (After Taxes)									
eland Chair Company, Inc. - Per tax return (Before Taxes)	4.32	3.72	6.61	8.04	10.27	15.21	16.32	17.58	12.83
- Per tax return (After Taxes)	3.35	2.13	2.23	2.59	2.74	9.26	10.12	10.90	7.96
- Per addition of deficiency to sales and net profit (before taxes)		4.19	21.33	10.60	10.83				
- Per Addition of deficiency to sales and net profit (after taxes)		2.22	4.32	2.44	2.40				
- Per addition of deficiency to sales and purchases (before taxes)		3.69	5.57	7.82	7.48				
- Per Addition of deficiency to sales and purchases (after taxes)		1.72	(11.44)	(.34)	(.95)				

COMPARATIVE STATEMENTS

OF

OPERATIONS

WITH

COST DATA

JACKSON MANUFACTURING COMPANY

CLEVELAND CHAIR COMPANY, INCORPORATED

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JACKSON MANUFACTURING COMPANY

AVERAGE GROSS PROFIT PERCENTAGES

PER COST SHEETS AND O.P.A.

CEILING PRICES

SUMMARY

EXHIBIT 1

	Cost	Selling Price	Percent Gross Profit
Average Gross Profit to Retailers - Chairs	88.84	122.80	27.66%
Average Gross Profit to Jobbers - Chairs	88.84	111.75	22.55
Average Gross Profit to Retailers - Suites	366.43	476.85	16.76
	776.11	710.80	
Average Gross Profit			19.23%

JACKSON MANUFACTURING COMPANY

AVERAGE GROSS PROFIT PERCENTAGES ON CHAIRS

PER COST SHEETS AND O.P.A. CEILING PRICES

SHEET 2

Majority Sold to Jobbers Description	Grade	Date of Cost Sheet	Sold To	Cost	O.P.A. Selling Price		Percent Gross Profit
305 Chair	3	April 11, 1941	Retailer	11.23		14.75	23.86%
			Jobber	11.23	16.85 Less 20%	13.47	16.63
306 Base Rocker	9	April 14, 1941	Retailer	11.92		17.35	31.30
			Jobber	11.92	19.95 Less 20%	15.96	25.32
315 Base Rocker	7	April 9, 1941	Retailer	10.74		16.05	33.09
			Jobber	10.74	18.60 Less 20%	14.88	28.23
345 Base Rocker	8	Feb. 23, 1942	Retailer	11.97		16.30	26.57
			Jobber	11.97	18.35 Less 20%	14.68	18.47
1310 Lawson Chair	8	Aug. 14, 1941	Retailer	12.59		16.75	24.84
			Jobber	12.59	18.70 Less 20%	14.96	15.85
2135 Barrell Chair	9	Dec. 30, 1941	Retailer	16.24		23.15	29.85
			Jobber	16.24	25.50 Less 20%	20.40	20.40
2125 Chair	10	Aug. 14, 1941	Retailer	14.15		18.45	23.31
			Jobber	14.15	21.75 Less 20%	17.40	18.68
Average Gross Profit				177.68		234.55	24.25%
Average Gross Profit to Retailers				88.84		122.80	27.66%
Average Gross Profit to Jobbers				88.84		111.75	22.52%

TEXT IS POOR

JACKSON MANUFACTURING COMPANY

AVERAGE GROSS PROFIT PERCENTAGES ON STYLES

PER COST SHEETS AND O.P.A. CEILING PRICES

SHEET 1

Majority Sold to Retailers Description		Grade	Date of Cost Sheet	Sold To	Cost	O.P.A. Selling Price	Percent Gross Profit
1360	2 Piece Suite	9	Jan. 3, 1942	Retailers	47.89	58.50	18.14%
1135	2 Piece Suite	8	March 9, 1942	Retailers	31.88	36.25	12.06
1230	2 Piece Sofa Bed Suite	8	March 17, 1942	Retailers	33.46	40.95	18.29 *
1230	2 Piece Sofa Bed Suite	8	Oct. 15, 1942	Retailers	37.58	40.95	8.23 *
115	3 Piece Suite	8	March 9, 1942	Retailers	38.39	46.67	17.74
1225	2 Piece Sofa Bed Suite	8	March 26, 1942	Retailers	35.00	43.05	18.70
180	3 Piece Suite	8	March 9, 1942	Retailers	39.80	47.53	17.53
125	2 Piece Suite	8	March 26, 1942	Retailers	34.60	42.90	19.35
1220	2 Piece Suite	9	Aug. 14, 1941	Retailers	30.67	39.25	21.86
1135	2 Piece Suite	9	Aug. 14, 1941	Retailers	32.45	37.75	14.04
1230	2 Piece Sofa Bed Suite	9	Aug. 14, 1941	Retailers	35.31	42.45	16.82
Average Gross Profit					396.43	476.25	16.76%

JACKSON MANUFACTURING COMPANY

STATEMENT OF OPERATIONS

FOR YEAR 1943

AFTER ADJUSTMENTS FOR ADDITIONAL SALES AND PURCHASES

	YEAR ENDED DEC. 31, 1943 ADDING UNREPORTED INCOME TO PURCHASES AND SALES	
	Amount	Percent
Sales - Net	940,537.87	
Add - E.A.R. Additional Income	224,865.72	
	1,165,403.59	100.00
Cost of Goods Sold	783,606.94	
Add - Effect of E.A.R. Additional Income to Purchases	224,865.72	
Cost of Goods Sold	1,008,472.66	86.56
Gross Profit	156,930.93	13.44
Selling Expenses	47,999.53	4.09
	108,931.40	9.35
Operating Expenses	13,370.65	1.15
	95,560.75	8.20
Other Income	8,085.46	0.69
	103,646.21	8.89
Other Expenses	19,010.09	1.63
Net Profit	84,636.12	7.26

JACKSON MANUFACTURING COMPANY

COMPARATIVE STATEMENT OF OPERATIONS FOR YEARS 1943 AND 1944

REFLECTING TAX RETURN AND ADJUSTMENTS TO SALES

PER REVENUE AGENT WITHOUT ADJUSTMENTS TO PURCHASES

	YEAR ENDED DECEMBER 31, 1943				YEAR ENDED DECEMBER 31, 1944			
	Per Tax Return	% To Sales	Per Revenue Agent	% To Sales	Per Tax Return	% To Sales	Per Revenue Agent	% To Sales
Sales - Net	940,537.87		940,537.87		1,216,744.34		1,216,744.34	
Add - R.A.R. Additional Income			224,865.72				50,289.14	
	940,537.87	100.00	1,165,403.59	100.00	1,216,744.34	100.00	1,267,033.48	100.00
Cost of Goods Sold	783,606.94	83.32	783,606.94	67.23	972,326.36	79.90	972,326.36	75.79
Gross Profit	156,930.93	16.68	381,796.65	32.77	244,417.98	20.10	294,707.12	24.21
Selling Expenses	47,999.53	5.12	47,999.53	4.12	54,124.43	4.46	54,124.43	4.44
Selling Profit	108,931.40	11.56	333,797.12	28.65	190,293.55	15.64	240,582.69	19.77
Operating Expenses	13,370.65	1.40	13,370.65	1.15	15,644.29	1.28	15,644.29	1.29
Operating Profit	95,560.75	10.16	320,426.47	27.50	174,649.26	14.36	224,938.40	18.48
Other Income	8,085.46	.86	8,085.46	.69	11,694.02	.96	11,694.02	.96
	103,646.21	11.02	328,511.93	28.19	186,343.28	15.32	236,632.42	19.44
Other Expenses	19,010.09	2.03	19,010.09	1.63	24,824.80	2.04	24,824.80	1.96
Net Profit	84,636.12	8.99	309,501.84	26.56	161,518.48	13.28	211,807.62	17.48

[redacted]

[redacted]

[redacted]

[redacted]

	For Period Ended December 31, 1941		For Period Ended December 31, 1942		For Period Ended December 31, 1943		For Period Ended December 31, 1944		For Period Ended December 31, 1945		For Period Ended December 31, 1946		For Period Ended December 31, 1947		For Period Ended December 31, 1948		For Period Ended December 31, 1949	
Sales - Net	471,880.11	100.00	668,139.68	100.00	948,537.87	100.00	1,216,744.34	100.00	1,408,417.44	100.00	1,958,488.81	100.00	1,405,719.75	100.00	1,241,129.56	100.00	1,380,488.74	100.00
Cost of Goods Sold	398,739.87	84.52	551,081.70	82.48	781,606.84	83.32	972,385.36	79.99	1,138,979.88	81.32	1,389,048.10	70.93	1,075,824.75	76.53	1,010,347.81	81.42	986,631.63	71.68
Gross Profit	73,080.84	15.48	117,057.78	17.52	156,930.93	16.68	244,417.98	20.10	269,558.16	18.61	571,439.81	29.07	329,895.00	23.47	230,781.75	18.58	393,769.11	28.32
Selling Expenses	24,335.49	5.15	37,754.88	5.66	47,999.53	5.12	56,184.63	4.46	57,774.38	3.18	53,911.68	2.76	51,591.53	3.66	50,761.31	4.09	68,137.57	4.64
Selling Profit	48,744.75	10.33	79,302.90	11.86	108,931.40	11.36	190,893.35	15.64	208,983.78	14.49	517,528.88	26.51	278,333.48	19.81	179,820.44	14.49	389,631.54	23.71
Gen'l&Adm Expenses	7,203.73	1.53	11,829.67	1.77	13,370.65	1.40	19,644.29	1.28	18,889.85	1.03	30,493.25	1.56	44,108.14	3.14	47,653.18	3.84	57,808.43	4.16
Shareholder Expenses	41,541.08	8.80	67,468.23	10.09	95,560.75	10.16	176,649.86	14.56	188,103.92	13.44	487,034.73	24.95	234,225.34	16.67	132,167.26	10.65	271,823.11	19.55
Operating Profit	8,878.75	1.88	8,458.90	1.26	8,085.46	0.85	11,694.08	0.96	10,833.01	0.77	13,484.78	0.72	16,397.90	1.16	15,750.62	1.26	18,778.54	0.98
Other Income	50,419.77	10.68	75,861.13	11.35	103,646.21	11.02	186,343.88	15.32	198,936.93	14.81	500,519.43	25.74	250,623.24	17.83	147,917.88	11.91	254,595.65	20.47
Other Expenses	12,272.37	2.60	17,989.88	2.67	18,018.09	2.03	26,824.88	2.04	28,170.78	2.02	30,982.78	2.61	38,435.68	2.81	35,710.07	2.87	47,220.08	3.80
Net Profit	38,147.40	8.08	57,871.25	8.68	84,636.12	8.99	164,518.68	13.28	168,767.81	12.12	431,536.71	23.13	211,187.61	15.02	112,207.81	9.04	207,375.57	17.07

CLEVELAND CHAIR COMPANY, INCORPORATED

STATEMENT OF OPERATIONS

FOR YEAR 1943

AFTER ADJUSTMENTS FOR ADDITIONAL SALES

AND PURCHASES

	YEAR ENDED DEC. 31, 1943 AMOUNT SHOWN BEFORE INCOME TO PURCHASES AND SALES	
	Amount	Percent
Sales - Net	1,089,875.56	
Add - W.A.A. Additional Income	803,131.41	
Total Sales	1,893,007.37	100.00
Cost of Goods Sold	917,132.44	
Add - Effect of W.A.A. Additional Income to Purchases	803,131.41	
Cost of Goods Sold	1,189,853.89	86.64
Gross Profit	172,743.52	13.36
Selling Expenses	65,825.65	5.01
	107,917.87	8.35
Operating Expenses	19,400.68	1.51
	88,517.85	6.84
Other Income	11,293.56	0.87
	99,780.71	7.71
Other Expenses	85,941.63	8.08
Net Profit	78,779.08	5.63

CLEVELAND CHAIR COMPANY, INCORPORATED

COMPARATIVE STATEMENT OF OPERATIONS FOR YEARS 1943 AND 1944

REFLECTING TAX RETURN AND ADJUSTMENTS TO SALES

PER REVENUE AGENT WITHOUT ADJUSTMENTS TO PURCHASES

	YEAR ENDED DECEMBER 31, 1943				YEAR ENDED DECEMBER 31, 1944			
	Per Tax Return	% To Sales	Per Revenue Agent	% To Sales	Per Tax Return	% To Sales	Per Revenue Agent	% To Sales
Sales - Net	1,089,875.56		1,089,875.56		1,381,397.96		1,381,397.96	
W.P.B. Additional Income			803,131.41				57,577.09	
Total Sales	1,089,875.56	100.00	1,893,007.37	100.00	1,381,397.96	100.00	1,438,975.05	100.00
Cost of Goods Sold	917,132.44	84.14	917,132.44	70.47	1,084,158.84	83.31	1,084,158.84	89.97
Gross Profit	172,743.12	15.86	375,874.93	29.53	217,239.12	16.69	254,816.21	19.03
Selling Expense	64,825.65	5.95	64,825.65	3.48	70,063.82	5.38	70,063.82	5.84
Selling Profit	107,917.87	9.91	311,049.28	24.05	147,175.30	11.31	184,752.39	13.79
Operating Expenses	19,400.68	1.79	19,400.68	1.49	21,783.38	1.68	21,783.38	1.68
Operating Profit	88,517.85	8.12	291,648.66	22.56	125,391.92	9.63	162,969.01	12.17
Other Income	11,203.46	.92	11,203.46	.85	8,688.94	.67	8,688.94	.63
	99,720.71	9.07	302,852.12	23.42	134,080.86	10.30	171,589.95	12.81
Other Expenses	26,941.63	2.32	26,941.63	2.08	29,378.66	2.25	29,378.66	2.19
Net Profit	72,779.08	6.68	275,910.49	21.34	104,702.20	8.04	142,217.29	10.62

CLEVELAND CHAIR COMPANY

COMPARATIVE STATEMENTS OF OPERATIONS

FOR YEARS 1941 THROUGH 1949

	For Period Ended December 31, 1941		For Period Ended December 31, 1942		For Period Ended December 31, 1943		For Period Ended December 31, 1944		For Period Ended December 31, 1945		For Period Ended December 31, 1946		For Period Ended December 31, 1947		For Period Ended December 31, 1948		For Period Ended December 31, 1949	
Sales - Net	348,311.89	100.00	703,387.79	100.00	1,089,875.96	100.00	1,301,397.96	100.00	1,648,764.11	100.00	2,888,038.90	100.00	1,985,468.99	100.00	1,735,060.53	100.00	1,647,285.96	100.00
Cost of Goods Sold	342,014.24	98.86	608,156.90	86.46	917,138.44	84.14	1,084,128.84	83.31	1,349,737.68	81.86	1,719,494.80	78.02	1,196,879.68	75.80	1,291,712.69	74.45	1,271,853.85	77.64
Gross Profit	56,297.65	14.14	98,770.89	14.04	172,743.52	15.86	217,839.12	16.69	299,026.43	18.14	488,538.10	21.91	369,189.87	24.20	443,347.84	25.55	350,132.51	21.39
Selling Expenses	15,475.32	3.84	25,934.84	3.12	64,883.62	3.92	70,051.82	5.38	84,149.36	5.11	71,384.31	2.84	31,859.63	1.49	67,311.45	3.88	73,084.44	4.51
Selling Profit	40,822.33	10.85	68,736.65	8.42	107,917.87	9.91	147,173.30	11.31	214,866.07	13.03	411,153.79	19.67	337,388.64	20.80	376,036.39	21.67	289,127.07	17.88
Operating Expenses	19,252.13	4.83	28,088.68	3.15	19,400.68	1.79	21,781.38	1.68	29,431.01	1.48	38,130.36	1.73	30,238.89	1.31	51,610.84	2.98	64,411.63	3.98
Operating Profit	21,570.20	5.42	40,647.97	5.77	88,517.20	8.12	125,391.92	9.63	190,435.06	11.35	373,023.43	17.94	866,789.84	17.69	324,425.55	18.69	224,715.44	13.90
Other Income	1,349.90	0.84	5,719.69	0.98	11,293.46	0.95	8,620.94	0.67	11,128.00	0.68	16,369.35	0.73	13,948.98	0.98	18,003.01	1.04	16,758.83	1.02
	24,980.10	6.86	46,361.51	6.39	99,780.71	9.07	134,012.86	10.30	201,557.06	12.83	389,392.78	18.69	880,737.85	18.41	342,428.56	19.73	241,477.87	14.94
Other Expenses	9,401.37	2.36	13,661.13	2.83	26,241.63	2.39	29,372.66	2.26	33,228.47	2.12	55,640.05	2.53	48,789.33	2.31	49,717.78	2.81	45,888.68	2.89
Net Profit	15,518.73	3.50	30,706.44	4.36	73,779.08	6.68	104,640.20	8.04	168,038.59	10.13	333,728.73	16.16	838,008.53	15.69	293,710.84	16.92	195,893.87	12.14

Exhibit 72

Ex 72

87-36
NUMBER

HAMILTON NATIONAL BANK

EAST CHATTANOOGA BRANCH

EAST CHATTANOOGA, TENN. Dec. 15 1962

Savings

PAY TO THE ORDER OF J. B. Jackson $ 15,000.

Fifteen thousand 00/100 DOLLARS

ON 15M ENG Mfg

COUNTER CHECK

Mrs. W. R. Jackson

1177a

1178a

HAMILTON NATIONAL BANK
CHATTANOOGA, TENNESSEE.

$ 100 000 00

CHATTANOOGA, TENN. Dec 31 1945

30 DAYS AFTER DATE I PROMISE TO PAY TO

THE ORDER OF THE HAMILTON NATIONAL BANK

One Hundred & 00/100 DOLLARS

AT THE HAMILTON NATIONAL BANK

VALUE RECEIVED WITH LEGAL RATE OF INTEREST AFTER MATURITY UNTIL PAID. IF THIS NOTE IS COLLECTED BY AN ATTORNEY, BY SUIT OR OTHERWISE, WE AGREE TO PAY ALL ATTORNEY'S FEES AND COSTS OF COLLECTION. IT IS AGREED BY MAKERS AND ENDORSERS HEREOF THAT DEMAND, PROTEST AND NOTICE OF PROTEST OF THIS PAPER ARE EXPRESSLY WAIVED, AND THAT THE HOLDER MAY GRANT AN EXTENSION, OR EXTENSIONS OF THE TIME OF PAYMENT OF THIS NOTE OR ANY PART THEREOF TO THE MAKER WITHOUT RELEASING THE LIABILITY OF ANY OTHER PARTIES SECONDARY LIABLE WHO HEREBY EXPRESSLY WAIVE NOTICE OF SAID EXTENSION OF TIME, AND RECOURSE AGAINST WHOM IN SUCH EVENT IS EXPRESSLY RESERVED.

DUE

NO.

FORM 120

EAST CHATTANOOGA BRANCH CHATTANOOGA, TENN.

H. Jackson Mfg. Co.

By H. H. Jackson Pres.

Exhibit 75

87-36
NUMBER

HAMILTON NATIONAL BANK

EAST CHATTANOOGA BRANCH

EAST CHATTANOOGA, TENN. _____ 194

PAY TO THE ORDER OF _____ $ _____

_____ DOLLARS

COUNTER CHECK

_____

87-36
NUMBER

HAMILTON NATIONAL BANK

EAST CHATTANOOGA BRANCH

EAST CHATTANOOGA, TENN. _____ 194

PAY TO THE ORDER OF _____ $ _____

_____ DOLLARS

COUNTER CHECK

_____

NAME W. R JACKSON

ADDRESS

IN ACCOUNT WITH

HAMILTON NATIONAL BANK

CHATTANOOGA, TENN.

[redacted]-HATTANOOGA BRANCH

SAFE DEPOSIT BOXES FOR RENT

STATEMENT OF [redacted] ACCOUNT TO CLOSE OF BUSINESS

PLEASE EXAMINE AT ONCE. IF NO ERROR IS REPORTED IN TEN DAYS THE ACCOUNT WILL BE CONSIDERED CORRECT

DATE	CHECKS IN DETAIL		DATE	DEPOSITS
	BALANCE BROUGHT FORWARD		[illegible]	927.25
JAN 4 '46	2.00		DEC 31 '45	105,185.61
JAN 5 '46	[illegible]			
JAN [illegible]	225.00	18.75	JAN 12 '46	78,422.50
JAN 18 '46	50,000.00 Int R.U.		JAN 21 '46	1,300.00
JAN 23 '46	35.25			
JAN 24 '46	1,000.00			
JAN 28 '46	28,546.65	65.83		
JAN 31 '46	20.00			
			FEB 4 '46	2,647.46
FEB 10 '46	11.00			
FEB 18 '46	150.00		FEB 18 '46	2,253.70
FEB 19 '46	903.00			
FEB 23 '46	100.00	16.50		
MAR 9 '46	30.00		MAR 9 '46	(8,000.00
MAR 16	10,156.00	1,806.83		
			MAR 19 '46	2,135.00
MAR 2[illegible]	3,000.00		MAR 30 '46	7,449.10
				40.00
				652.00
APR 7 '45	22.00			
			MAY 2 '46	2,281.20
	240.00			
Service charge [illegible] to be charged on next statement	5.00		JUN 3	2,281.20
JUN 12 '46	BALANCE AT CLOSE OF BUSINESS 1,579.93		JUL 5 '46	16395

This statement is furnished to our customers instead of balancing the pass book. It saves you any trouble of balancing your pass book to the bank and waiting for it to be balanced. These statements will be found [illegible] to check your BANK

USE YOUR PASS BOOK ONLY AS A RECEIPT BOOK IN MAKING DEPOSITS.

Exhibit 76

1179a
(1181a)

MEMORANDUM FINDINGS OF FACT AND OPINION

Scott, Judge: Respondent determined deficiencies in petitioners' income taxes and additions to tax under section 293(b) of the Internal Revenue Code of 1939 as follows:

Docket No.	Petitioner	Calendar Year	Kind of Tax	Deficiency	Addition to tax under Sec. 293(b), I. R. C. 1939
70811	W. R. Jackson	1941	Income	$ 7,037.52	$ 3,992.75
		1942	Income	12,709.34	6,354.67
		1943	Income	194,893.94 *	98,418.14
		1944	Income	44,969.77	22,484.89
		1945	Income	10,531.13	5,265.57
		1946	Income	211.16	105.58
		1947	Income	165.63	82.82
70812	William R. Jackson and Alice J. Jackson	1948	Income	226.16	113.08
		1949	Income	402.96	201.48
70813	Cleveland Chair Company	1942	Income	-0-	32.08
		1942	Declared Value Excess Profits	219.63	114.10
		1942	Excess Profits	2,517.49	1,311.67
		1943	Declared Value Excess Profits	19,920.18	9,960.09
		1943	Excess Profits	152,469.13	76,239.57
		1944	Declared Value Excess Profits	2,460.08	1,239.54
		1944	Excess Profits	34,943.66	17,469.39
		1945	Declared Value Excess Profits	779.38	341.81
		1945	Excess Profits	15,811.15	7,366.17
70814	Alice Jewell Jackson	1941	Income	2,280.86	880.71
		1943	Income	7,398.39	3,618.15
		1943	Income	155,416.03 *	78,221.38
		1944	Income	36,362.35	18,121.13
		1945	Income	8,168.89	4,088.65
		1946	Income	211.38	105.69
		1947	Income	215.94	107.92

* Income and victory tax.

[1] Proceedings of the following petitioners are consolidated herewith: William R. Jackson and Alice J. Jackson, Docket No. 70812; Cleveland Chair Company, Docket No. 70813; and Alice Jewell Jackson, Docket No. 70814.

At the trial respondent conceded that there were no deficiencies in taxes due from either W. R. Jackson or Alice Jewell Jackson for the calendar year 1941.

The issues for decision are:

(1) Whether the Federal income tax returns filed by W. R. Jackson and Alice Jewell Jackson for the years, 1942, 1943, 1944, and 1945, by W. R. Jackson and Alice Jewell Jackson for the years 1946 and 1947, by Cleveland Chair Company for 1942 and the declared value excess profits tax returns and excess profits tax returns filed by Cleveland Chair Company for the years 1942, 1943, 1944, and 1945 were each false or fraudulent with intent to evade tax, so that the assessment or collection of a deficiency is not barred by the statute of limitations.

(2) Whether the partnership, Jackson Manufacturing Company, consisting of W. R. Jackson and Alice Jewell Jackson, and the corporation, Cleveland Chair Company, had unreported income in each of the years 1942, 1943, 1944, and 1945 as a result of understatement of gross sales; or whether there were additional purchases by each of these businesses in the full amounts by which sales were understated for which no deduction was taken in computing net income.

(3) Whether W. R. Jackson and Alice Jewell Jackson in each of the years 1942, 1943, 1944, and 1945 failed to report a portion of their distributal net income from the partnership, Jackson Manufacturing Company, because of understatement of net income of the partnership business on the partnership's return of income for each of those years.

(4) Whether W. R. Jackson and Alice Jewell Jackson received income from the Cleveland Chair Company, a corporation, in each of the years 1942, 1943, 1944, and 1945 which was not reported on their Federal income tax returns.

(5) Whether W. R. Jackson and Alice Jewell Jack-

son each failed to report interest income on their individual income tax returns for each of the years 1942, 1943, 1944, 1945, 1946, and 1947; and whether William R. Jackson and Alice Jewell Jackson failed to report interest income on their joint income tax returns for the years 1948 and 1949.

(6) Whether there is a deficiency in income tax due from W. R. Jackson for each of the years 1942 through 1947, from Alice Jewell Jackson for each of the years 1942 through 1947, and from William R. Jackson and Alice Jewell Jackson for the years 1948 and 1949; and a deficiency in declared value excess profits tax and excess profits tax due from the Cleveland Chair Company for each of the years 1942 through 1945, a part of which is due to fraud with intent to evade tax.

Findings of Facts

Some of the facts have been stipulated and are found accordingly.

William R. Jackson and Alice Jewell Jackson, husband and wife who reside in Chattanooga, Tennessee until 1944 or 1945, and thereafter resided in Cleveland, Tennessee timely filed separate income tax returns with the district director of internal revenue at Nashville, Tennessee for each of the years 1942 through 1947 and joint Federal income tax returns with the same district director of internal revenue for each of the years 1948 and 1949. Each of these returns was prepared by a certified public accountant or a lawyer or records and information furnished to him by William R. Jackson or Alice Jewell Jackson.

The Cleveland Chair Company, a Tennessee corporation, timely filed its corporate Federal income tax, excess profits tax and declared value excess profits tax returns for each of the years 1942 through 1945 with the district director of internal revenue at Nashville, Tennessee. Each of these

returns was prepared by a certified public accountant from the books and records of the corporation which were furnished to him. The Cleveland Chair Company was organized in 1915, and in early 1942 W. R. Jackson and Alice Jewell Jackson purchased the stock of this corporation, the stock so purchased being issued 55 percent to W. R. Jackson and 45 percent to Alice Jewell Jackson.

W. R. Jackson (hereinafter referred to as Jackson) was born on a farm near Cleveland, Tennessee, in 1906. He was the third oldest in a family of six. After having worked a short while in Cleveland, Ohio, Jackson went to Chattanooga, Tennessee, in 1925 or 1926 and began to do work as a furniture upholsterer. In 1933 Jackson started in business as a sole proprietor under the name of Jackson Upholstery Company repairing and refinishing furniture.

In 1931 Jackson married Alice Jewell. Alice Jewell Jackson (hereinafter referred to as Alice) was working in a hosiery mill in Chattanooga, Tennessee at the time she married Jackson. Her father had died when she was quite young and for a number of years prior to her marriage to Jackson she had been the sole support of herself, her mother, and younger brothers and sisters. Alice continued to work in the hosiery mill for a while after she married Jackson and she also assisted Jackson in his business.

Jackson went into bankruptcy in 1933 but subsequently paid off his creditors. Jackson has been in some type of business activity of his own ever since he started the Jackson Upholstery Company.

In 1936 Jackson and another organized the Jackson

Manufacturing Company as a partnership. This partnership was dissolved before the end of 1936, and from that time until June 30, 1941, Jackson operated the Jackson Manufacturing Company as a sole proprietorship. Jackson Manufacturing Company was in the business of making new furniture, primarily living room suites and upholstered chairs.

Alice assisted Jackson in his business in such ways as receiving customers, doing filing, or general office work depending on where her services were most needed. On June 30, 1941, Jackson gave a 45 percent intereswin Jackson Manufacturing Company to Alice, and from that date until its incorporation on January 1, 1946, Jackson Manufacturing Company was operated as a partnership, Jackson being a 55 percent partner and Alice a 45 percent partner. Alice continued to preform substantially the same type of work for the partnership that she had performed while her husband operated the business as a sole proprietorship. One of the reasons that Jackson gave a partnership interest in Jackson Manufacturing Company to Alice was the tax saving which would result from the splitting of the partnership income.

Jackson Manufacturing Company timely filed its Federal partnership returns of income for the period July 1, 1941, through December 31, 1941, and for the years 1942, 1943, 1944, and 1945 with the district director of internal revenue at Nashville, Tennessee. These returns for each of the years here involved were prepared by a certified public accountant or a lawyer from workpapers made by such accountant.

The formal education of Jackson and Alice each

consisted of completion of the Eighth Grade. Neither ever received any formal accounting or bookkeeping training.

Jackson and Alice purchased the stock of the Cleveland Chair Company of Cleveland, Tennessee around January 1, 1942, for $80,000. For the purpose of financing this purchase, they borrowed $80,000 from the East Chattanooga Branch of the Hamilton National Bank on a 15-year loan, but repaid the entire amount of the loan to that bank within 7 or 8 months. Throughout the years 1942 through 1945 the stock of the Cleveland Chair Company was owned 55 percent by Jackson and 45 percent by Alice.

Jackson and Alice lived about three blocks from the plant of the Jackson Manufacturing Company in Chattanooga, Tennessee until they moved to Cleveland, Tennessee.

Prior to the time Jackson and Alice acquired the stock of the Cleveland Chair Company, the business of that company had consisted of the manufacture of furniture. After Alice and Jackson acquired the stock of the Cleveland Chair Company, that company engaged in manufacturing upholstered furniture such as living room suites, chairs, and sofas, similar to the type of furniture manufactured by the partnership, Jackson Manufacturing Company. Each of these companies manufactured furniture in the low and medium price range.

In 1938 Jackson hired W. E. Wooten (hereinafter referred to as Wooten) who was then approximately 21 years old, to act as office manager at the Jackson Manufacturing Company. At that time a woman, now deceased, named Cavanaugh, was doing general office work in the offices of Jackson Manufacturing Company and was from time to time assisted by one or two other women employees. Wooten, with the assistance of the women in the office, kept the books of Jackson Manufacturing Company and assisted in buying materials.

After Jackson and Alice acquired the stock of the Cleveland Chair Company, the books of that company were kept in Chattanooga at the office of the Jackson Manufacturing Company and Wooten did work in connection with keeping those books. Wooten continued to work for Jackson Manufacturing Company and later for Jackson Manufacturing Company and the Cleveland Chair Company from the time he was employed in 1938 until sometime in April 1944 when he left to go into the United States Navy.

From the time Jackson and Alice acquired the stock of the Cleveland Chair Company, Jackson was its president and general manager and Alice was its vice president.

Wooten, as well as being office manager for the Cleveland Chair Company, was assistant secretary and treasurer for that company. The office in which Wooten worked and where the basic records of Jackson Manufacturing Company, and the Cleveland Chair Company were kept adjoined Jackson office, and there was a pigeonhole between the two so that Wooten might talk with Jackson without having to go into the adjoining office.

Mail of the Jackson Manufacturing Company was received at its office in Chattanooga, Tennessee, and Cleveland Chair Company mail which was received in Cleveland was transmitted to the Chattanooga office for handling. All of the mail and all other records of both businesses were at all times available to Jackson.

After acquiring the Cleveland Chair Company, Jackson spent a substantial portion of his time in Cleveland, Tennessee. Prior to moving to Cleveland, it was Jackson's general practice to go by the office in Chattanooga, Tennessee,

each morning and stay an hour or two, then go on to Cleveland, Tennessee, and return in the late afternoon and spend some time at the office or the plant of the Jackson Manufacturing Company in Chattanooga.

The bookkeeping work which was generally done by Cavanaugh, was payroll and billing work and entering of orders. The general supervisions of the bookkeeping was under Wooten who was responsible to and reported to Jackson.

Jackson was fully acquainted with the entire operations of the companies. He regularly checked the records and actively participated in every chase of the businesses including the manufacturing operations and the purchasing of materials. When Wooten left for the service in April 1944, Jackson personally ran the companies' offices until he hired another office manager in 1945.

The books and records of the partnership, Jackson Manufacturing Company, and of the corporation, Cleveland Chair Company, were kept on an accrual method of accounting.

Jackson and Alice each had a drawing account on the records of the partnership and payment of some of their personal expenses was made from these accounts.

The records of the Jackson Manufacturing Company and of the Cleveland Chair Company each contained an accounts receivable sheet for each company with which it did business. In the normal course of operations, when a shipment of furniture was made by either the partnership or the corporation, an invoice with a number of copies was made out to the company purchasing the furniture. These invoices were numbered in sequence with both duplicates bearing the same number as its original. One copy of the invoice would be sent to

the purchaser, another was placed in a file from which commissions for the plant manager and salesmen were figured, and another was placed in a file from which the accounts receivable ledger of the company was posted.

During the years 1942 through 1945 the office was considerably behind in posting the invoices to the accounts receivable ledger and at times the delay would be from 3 to 5 weeks. The unrecorded invoices were kept in the lower right-hand drawer of Jackson's desk in the Chattanooga office.

During the period 1942 through 1945 certain of the materials necessary in the manufacture of furniture became in short supply.

At sometime during 1942 a Government regulation prohibited the use of springs in the manufacture of upholstered furniture and Jackson Manufacturing Company and Cleveland Chair Company began to use a heavy duck to substitute for springs. This duck, as well as certain types of lumber used in the manufacture of furniture, could be legally obtained only in the amounts allocated by the Government regulatory agencies charged with such responsibility during the period of World War II.

Upholstery material, which from a cost standpoint constituted the major item of material needed in the manufacture of upholstered furniture, did not require a Government allocation in order that it might be purchased but the prices at which such material could be sold were controled by the Office of Price Administration (hereinafter referred to as OPA), and due to the general scarcity of civilian goods during the war years was not always readily available at the regulated OPA prices in the quantities and qualities that the Jackson

Manufacturing Company and the Cleveland Chair Company needed for use in their expanding businesses.

The OPA also controlled the prices at which furniture could be sold starting in approximately May 1942, and during the period 1942 through 1945 a scarcity existed in the supply of furniture which created a good demand for the products of the Jackson Manufacturing Company and Cleveland Chair Company. Both companies received payment on most of their accounts receivable during those years within 30 to 60 days and had very few bad debts.

In determining the prices at which furniture would be sold both Jackson Manufacturing Company and Cleveland Chair Company used a cost sheet for the basic cost of furniture with a variance depending on the upholstery material to be used on the furniture ranging to around 18 different grades. The prices of the furniture were determined from these cost sheets and although the base price was generally set by the OPA on the standard charged during the month of March 1942, the OPA permitted the price to vary depending upon the amount actually paid by a company for the upholstery material used. On a number of occasions during the years 1942 to 1945 the prices charged by Jackson Manufacturing Company and Cleveland Chair Company for the furniture they manufactured and sold were examined by representatives of the OPA.

During the years 1942, 1943, 1944, and 1945, certain invoices representing sales of merchandise which had been made by Jackson Manufacturing Company and Cleveland Chair Company were not recorded on the books and records of each of those companies from which the Federal tax returns were prepared. The checks received in payment of such invoices were likewise not posted to the books and records of

the Jackson Manufacturing Company and the Cleveland Chair Company from which the income tax returns were prepared.

The certified public accountant who was the auditor for Jackson Manufacturing Company and Cleveland Chair Company, having started to audit books for Jackson's businesses in the mid-1930's, was not informed at the time he made his audits of the books and prepared the workpapers from which the tax returns of the partnership and the corporation were prepared, that these sales had been omitted. The audits made by this accountant were not certified.

Jackson was aware that all of the sales made by the Jackson Manufacturing Company and Cleveland Chair Company during the years 1942 through 1945 were not recorded on the books of the respective companies.

All of the receipts from the sales which were recorded on the books of the Jackson Manufacturing Company and Cleveland Chair Company were deposited to the respective bank accounts of those companies so that the deposits in each company's bank account reconciled with the sales as shown on the books of that company.

In November 1951 respondent's agents who conducted the investigation which led to the deficiencies and additions to tax determined by respondent in the deficiency notices from which the petitions in these cases were filed contacted Jackson in his offices at the Jackson Manufacturing Company in Chattanooga, Tennessee. Jackson had been notified approximately a year prior to that time that he would be contacted with respect to this examination of his return.

Respondent had examined the partnership returns of the Jackson Manufacturing Company for the years 1941 through 1943 on a prior occasion. The examination for 1943 was a partial examination, checking certain specific items in the return. Respondent had previously examined the returns of

Cleveland Chair Company for the years 1942, 1943, 1944, 1945, and 1946. The examination for 1946 was a partial examination. The books and records used by the accountant who audited the Jackson Manufacturing Company's and Cleveland Chair Company's books, in preparing workpapers from which the returns were prepared were the books which were made available to respondent's agents in these original investigations. The investigating agents were not informed of any sales being omitted from the records used in their investigation.

At the time the agents who made the investigation which gave rise to the instant cases contacted Jackson in November 1951, Jackson did not furnish them with any books and records for either Jackson Manufacturing Company or Cleveland Chair Company for the years 1941 through 1946. At that time he advised respondent's agents that the records of both Jackson Manufacturing Company and Cleveland Chair Company for the years 1941 through 1946 had been thrown away or destroyed because they had become damaged by flood water. At that time Jackson did not furnish respondent's agents any personal checks, bank statements, or other personal records, but he did not state that such records had been subject to flood damage.

During the course of the investigation in November 1951 Jackson told respondent's agents that all of the transactions of Jackson Manufacturing Company and Cleveland Chair Company had been recorded on the records of the company, except where certain sales invoices had been left off of the sales records, and the checks in payment of these invoices had been cashed at the East Chattanooga Branch of the Hamilton National Bank to obtain funds to make purchases at Black Market premium prices. Jackson further stated to respondent's agents that his accountants did not know about the failure to record certain sales and the cashing of the checks. At

that time Jackson told the investigating agents that he had kept an extra set of records showing the sales which were not recorded on the regular books and records of Jackson Manufacturing Company and Cleveland Chair Company from which the respective tax returns had been prepared. Respondent's agents were not furnished at that time or at any later time with this extra set of records.

The following schedules show the dates, amounts, and disposition of the proceeds of checks representing payments of sales invoices to Jackson Manufacturing Company which were not deposited to the account of that company during the years 1942, 1943, 1944, and 1945:

Date	Amount	Deposited to Account of	Cashed but not deposited
1942			
June 18	$ 58.00		$ 58.00
June 24	1.18	John Jones	
September 9	174.18	John Jones	
September 9	7.92	John Jones	
October 28	60.00		60.00
October 28	2.77		2.77
Total	$ 303.05		$ 118.77
1943			
January 25	$ 14.20		$ 14.20
February 12	402.48	John Jones	
February 23	6.00	John Jones	
February 26	214.62		214.62
February 27	1,582.98	John Jones	
February 27	2,022.72	John Jones	
March 4	2,851.24	John Jones	
March 4	2,208.23	John Jones	
March 4	2,116.80	John Jones	
March 18	2,077.60	John Jones	
March 18	2,988.44	John Jones	
March 18	2.55	John Jones	
March 18	2,042.12	John Jones	
March 18	124.23	John Jones	
March 18	2,510.59	John Jones	
March 18	2,383.70	John Jones	
March 18	7.35		7.35
March 18	1.20		1.20
March 18	53.92		53.92
March 18	58.74		58.74
March 18	54.39		54.39
March 18	1.20		1.20
April 2	19.05	Jolly Jewell	
April 2	30.14	Jolly Jewell	
April 2	24.07	Jolly Jewell	
April 2	8.00	Jolly Jewell	
April 2	26.00	Jolly Jewell	
April 2	2,581.69	John Jones	
April 2	1,716.98	John Jones	
April 2	2,638.31	John Jones	
April 2	1,757.21	John Jones	
April 2	1,871.02	John Jones	

Date	Amount	Deposited to Account of	Cashed but not deposited
April 30	$ 207.04		$ 207.04
May 22	20.89	John Jones	
	25.94	John Jones	
	16.73	John Jones	
	33.71	John Jones	
	16.43	John Jones	
	13.96	John Jones	
	26.94	John Jones	
	14.74	John Jones	
	11.48	John Jones	
	132.70	John Jones	
July 1	18.66	John Jones	
July 19	2,199.12	John Jones	
July 19	3,782.02	John Jones	
July 19	3,012.72	John Jones	
July 19	2,240.28	John Jones	
July 19	4,045.64	John Jones	
July 19	1,549.54	John Jones	
July 19	1,787.52	John Jones	
July 19	3,669.47	John Jones	
July 19	34.24	John Jones	
July 20	4,104.14	John Jones	
July 20	3,549.46	John Jones	
August 27	364.38	W. E. Wooten	
	10.96	W. E. Wooten	
	40.91	W. E. Wooten	
	4,051.24	W. E. Wooten	
	3,744.32	W. E. Wooten	
	1,787.52	W. E. Wooten	
	3,933.13	W. E. Wooten	
	4,131.84	W. E. Wooten	
	3,840.82	W. E. Wooten	
	3,729.49	W. E. Wooten	
	3,283.02	W. E. Wooten	
	4,485.26	W. E. Wooten	
	1,575.84	W. E. Wooten	
August 30	1,787.52		1,787.52
September 13	3,696.60	John Jones	
September 13	4,151.67	John Jones	
September 13	2,759.68	John Jones	
September 13	3,724.20	John Jones	
September 13	38.40	John Jones	
September 13	4,100.12	John Jones	
September 13	4.61	John Jones	
September 13	42.35	Bertha Jewell	
September 21	9.50		9.50
November 23	4,251.24	W. E. Wooten	
November 23	4,308.03	W. E. Wooten	
November 23	1,850.73	W. E. Wooten	
November 23	6,414.84	W. E. Wooten	
November 23	3,426.08	W. E. Wooten	
December 15	3,792.13	Herbert Jewell	
December 15	227.13	Howard Johnson	
December 15	2,994.88	Howard Johnson	
December 15	4,258.53	Howard Johnson	
December 15	3,011.54	Howard Johnson	
December 15	4,710.78	Howard Johnson	
December 15	3,654.42	Howard Johnson	
December 15	3,189.31	Howard Johnson	
1943 Total	$168,398.04		$ 2,407.68

Date	Amount	Deposited to Account of	Cashed but not deposited
1944			
January 8	$ 806.19	John Jones	
January 31	3,777.63	Ralph Wooten	
	4,025.41	Ralph Wooten	
	1,858.08	Ralph Wooten	
	1,858.08	Ralph Wooten	
	4,465.65	Ralph Wooten	
	4,305.63	Ralph Wooten	
	3,189.31	Ralph Wooten	
	$ 3,868.65	Ralph Wooten	
	3,643.33	Ralph Wooten	
	4,982.71	Ralph Wooten	
May 26	3,766.85		$ 3,766.85
December 23	27.50		27.50
1944 Total	$ 40,675.02		$ 3,794.35
1945			
April 23	$ 1,561.51		$ 1,561.51
April 23	4,457.35		4,457.35
June 6	2,214.08		2,214.08
1945 Totals	$ 8,232.94		$ 8,232.94

The following schedules show the dates, amounts, and disposition of proceeds of checks representing payments of sales invoices to Cleveland Chair Company which were not deposited to the account of that company during the years 1942, 1943, 1944, and 1945:

Date	Amount	Deposited to Account of	Cashed but not deposited
1942			
July 2	$ 42.46	John Jones	
July 24	11.24	John Jones	
July 24	477.96	John Jones	
July 24	102.60	John Jones	
August 7	125.40	John Jones	
August 7	31.39	John Jones	
August 7	3.75	John Jones	
September 9	21.38	John Jones	
September 9	15.00	John Jones	
November 10	6.91	John Jones	
November 10	4.22	John Jones	
November 10	1.60	John Jones	
November 10	1,716.96	John Jones	
December 3	64.56	John Jones	
December 3	46.77	John Jones	
December 3	25.50	John Jones	
December 3	2.00	John Jones	
December 3	12.27	John Jones	
December 3	33.18	John Jones	
December 31	394.20	John Jones	
December 31	7.00	John Jones	
December 31	49.78	John Jones	
December 31	11.75	John Jones	
December 31	26.10	John Jones	
December 31	16.20	John Jones	
December 31	6.71	John Jones	
December 31	28.80	John Jones	
1942 Total	$ 3,285.69		
1943			
January 13	$ 22.00	John Jones	
January 25	74.70		$ 74.70
January 25	35.00		35.00
January 25	2.50		2.50
1943			
February 23	57.54	John Jones	
February 23	7.47	John Jones	
February 23	17.92	John Jones	
February 23	25.48	John Jones	
February 23	7.50	John Jones	
February 23	36.17	John Jones	
March 4	2,085.08	Jolly Jewell	
March 4	1,695.44	Jolly Jewell	
March 4	606.91	Jolly Jewell	
March 4	2,544.04	Jolly Jewell	

Date	Amount	Deposited to Account of	Cashed but not deposited
March 4	$ 854.17	Jolly Jewell	
March 4	786.28	Jolly Jewell	
March 4	1,649.26	Jolly Jewell	
March 4	379.84	Jolly Jewell	
March 4	371.95	Jolly Jewell	
March 18	1,562.90	Jolly Jewell	
March 18	2,065.84	Jolly Jewell	
March 18	13.59	Jolly Jewell	
March 18	7.99	Jolly Jewell	
March 18	425.32	Jolly Jewell	
March 18	363.04	Jolly Jewell	
March 18	361.04	Jolly Jewell	
March 18	2,355.72	John Jones	
April 26	21.76	Jolly Jewell	
May 22	4.60	John Jones	
July 1	17.00	John Jones	
July 19	180.00	Jolly Jewell	
July 19	19.98	Jolly Jewell	
July 19	2,395.16	Jolly Jewell	
July 19	3,581.32	Jolly Jewell	
July 19	3,774.96	Jolly Jewell	
July 19	3,998.40	Jolly Jewell	
July 19	3,892.56	Jolly Jewell	
July 19	2,314.09	Jolly Jewell	
July 19	2,293.20	Jolly Jewell	
July 27	15,041.57	Jolly Jewell	
August 27	2,132.39	Bertha Jewell	
August 27	3,955.28	Bertha Jewell	
August 27	3,998.40	Bertha Jewell	
August 27	3,015.66	Bertha Jewell	
August 27	25.49	Bertha Jewell	
August 27	3,998.40	Bertha Jewell	
August 27	3,916.95	Bertha Jewell	
1943			
August 27	2,010.96	Bertha Jewell	
August 27	4.50	Bertha Jewell	
August 27	3,755.56	Bertha Jewell	
August 27	3,758.10	Bertha Jewell	
August 27	2,757.96	Bertha Jewell	
September 13	3,814.00	Bertha Jewell	
September 13	3,860.22	Bertha Jewell	
September 13	33.96		$ 33.96
September 13	23.20		23.20
October 26	30.00	Howard Johnson	
October 26	314.50	Howard Johnson	
October 26	3,956.53	Howard Johnson	
October 26	2,847.17	Howard Johnson	
October 26	3,943.52	Howard Johnson	
October 26	3,988.60	Howard Johnson	
October 26	2,504.10	Howard Johnson	
October 26	3,072.10	Howard Johnson	
October 26	99.47	Howard Johnson	
November 24	3,073.28	Jolly Jewell	
November 24	3,998.40	Jolly Jewell	
November 24	3,998.40	Jolly Jewell	
November 24	3,998.40	Jolly Jewell	
November 24	3,998.40	Jolly Jewell	
November 24	3,049.02	Jolly Jewell	
December 15	3,810.40	Herbert Jewell	
December 15	3,796.87	Herbert Jewell	
December 15	3,880.80	Herbert Jewell	
December 15	3,998.40	Herbert Jewell	
December 15	2,234.40	Herbert Jewell	
December 15	3,891.38	Herbert Jewell	

Date	Amount	Deposited to Account of	Cashed but not deposited
December 15	6,820.33	Herbert Jewell	
December 15	9,607.28	Herbert Jewell	
December 15	5,319.52	Herbert Jewell	
December 15	2,010.96	Herbert Jewell	
December 15	19.65	Herbert Jewell	
December 15	1.86	Herbert Jewell	
December 15	$ 3,073.28	Herbert Jewell	
December 15	3,881.90	Herbert Jewell	
December 15	3,781.04	Herbert Jewell	
December 15	3,073.28	Herbert Jewell	
December 15	3,073.28	Herbert Jewell	
1943 Total	$202,116.82		$ 189.36
1944			
January 8	$ 2,283.01	Jolly Jewell	
January 8	3,901.73	Jolly Jewell	
January 8	2,895.12	Jolly Jewell	
January 8	6,379.21	Jolly Jewell	
January 8	7,505.78	Jolly Jewell	
January 8	3,880.80	Jolly Jewell	
January 8	2,162.66	Jolly Jewell	
January 8	3,909.12	Jolly Jewell	
March 15	38.60		$ 38.60
March 18	38.60		38.60
March 18	32.00		32.00
March 18	60.34		60.34
May 1	13.50		13.50
May 26	18.00		18.00
September 12	4,458.62		4,458.62
1944 Totals	$ 37,577.09		$ 4,659.66
1945			
February 5	$ 40.92		$ 40.92
April 23	1,485.88		1,485.88
April 23	2,015.38		2,015.38
June 6	450.00		450.00
June 6	1,835.68		1,835.68
July 23	412.80		412.80
July 23	68.20		68.20
September 6	2,872.77		2,872.77
September 14	195.65		195.65
September 14	985.62		985.62
September 14	1,306.33		1,306.33
October 12	40.63		40.63
1945 Total	$ 11,689.86		$11,689.86

All of the checks set forth in the two preceding schedules were drawn on out-of-town banks and were listed on transit letters going from the East Chattanooga Branch of the Hamilton National Bank to the main branch. Some of these checks which were not deposited to the accounts of Jackson Manufacturing Company and Cleveland Chair Company cleared on days when deposits had been made to the accounts of these businesses at the East Chattanooga Branch of the Hamilton National Bank and some cleared on days when no such deposits were made.

The accounts at the East Chattanooga Branch of Hamilton National Bank in the names of Jolly Jewell, Herbert Jewell, Bertha Jewell, John Jones, Howard Johnson, Ralph Wooten, Roe Isbill, Jim Jolly, W. E. Wooten and W. R. Jackson Thomas Rogers, Samuel Jackson, Melvin Lee, and W. E. Wooten to which these checks were deposited were savings accounts. The name "Jewell" is Alice's maiden name. Alice had a sister whose name was Jolly Jewell. Jackson had a brother named Melvin Lee Jackson. The Jacksons had a son named Roger Thomas Jackson. When the schedules of the out-of-town checks of the Jackson Manufacturing Company and Cleveland Chair Company which were not deposited to the accounts of those businesses were prepared, there were many of the transit letters of the East Chattanooga Branch of the Hamilton National Bank which were not made available to the agents of respondent who prepared the schedules because they could not be located by the officials of the bank so that if any checks of either Jackson Manufacturing Company or Cleveland Chair Company were listed on such transit letters they are not included in the schedules heretofore set forth. The

East Chattanooga Branch of the Hamilton National Bank did not keep records of the local Chattanooga checks cashed by it and therefore if any such checks of either Jackson Manufacturing Company or Cleveland Chair Company were not deposited to the respective accounts of those businesses, the bank records would not show any detail of such checks. Some but not all of the deposit slips for the various savings accounts to which checks of the Jackson Manufacturing Company and Cleveland Chair Company were deposited were placed in evidence at the trial. These deposit slips were in the handwriting of E. C. Dodd, the then manager of the East Chattanooga Branch of the Hamilton National Bank. The balance of such deposit slips could not be located by the officials of that bank. It is not uncommon for a bank employee or official to prepare a deposit slip for a client of the bank.

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled "Jolly Jewell" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
Mar. 4	[illegible]	.....	$ [illegible]	Checks endorsed by Cleveland Chair Co.
Mar. 25	[illegible]	.....	[illegible]	Unidentified
Mar. 29	[illegible]	.....	[illegible]	Checks endorsed by Cleveland Chair Co.
Apr. 3	[illegible]	.....	[illegible]	[illegible] unidentified; bal. checks cashed by W. R. Jackson
Apr. 26	[illegible]	.....	[illegible]	[illegible] check endorsed by W. R. Jackson; [illegible] check endorsed by Cleveland Chair Co.; balance unidentified
May 5	[illegible]	.....	[illegible]	Unidentified
May 25	[illegible]	.....	[illegible]	Unidentified
July 1	[illegible]	.....	[illegible]	Interest credit
July 19	[illegible]	.....	[illegible]	[illegible] unidentified; balance checks endorsed by Cleveland Chair Co.
July 20	.....	$ [illegible]	[illegible]	
July 27	[illegible]	.....	[illegible]	[illegible] checks endorsed by Cleveland Chair Co.; balance unidentified
Nov. 24	[illegible]	.....	[illegible]	Checks endorsed by Cleveland Chair Co.
1944				
Jan. 1	[illegible]	.....	[illegible]	Interest credit
Jan. 8	[illegible]	.....	[illegible]	Checks endorsed by Cleveland Chair Co.
Apr. 1	.....	[illegible]	[illegible]	
Apr. 3	.....	[illegible]	[illegible]	
July 1	[illegible]	.....	[illegible]	Interest credit
July 3	.....	[illegible]	—0—	

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled "Herbert Jewell" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
Dec. 15	$88,686.38	.....	$ 88,686.38	$8,782.13 checks endorsed by Jenkins Mfg. Co.; balance checks endorsed by Cleveland Chair Co.
1944				
Apr. 6	.....	$ 20,000.00	68,686.38	
Apr. 20	.....	10,000.00	58,686.38	
July 1	288.30	.....	58,974.68	Interest credit
Sept. 12	.....	12,000.00	11,294.68	
Sept. 22	.....	200.00	10,794.68	
Sept. 27	.....	1,500.00	9,294.68	
1945				
Jan. 1	46.45	.....	9,341.01	Interest credit
July 1	48.70	.....	9,389.71	Interest credit
1946				
Jan. 1	46.95	.....	9,436.66	Interest credit
Apr. 10	.....	9,436.66	—0—	

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled "Bertha Jewell" with a notation as to the source of the deposits.

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
July 20	$ 9,750.00	.....	.....	Transferred from Jolly Jewell account
Aug. 27	25,220.00	.....	.....	Checks endorsed by Cleveland Chair Co.
Sept. 13	7,716.57	.....	.....	$42.35 check endorsed by Jenkins Mfg. Co.; balance, checks endorsed by Cleveland Chair Co.
Oct. 28	20,222.57	.....	.....	Checks endorsed by Jenkins Mfg. Co.

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled "John Jones" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1942				
June 17	$ 5,705.69	.....	$ 5,705.69	$5,529.65 transferred from Weston & Jackson account. Balance unidentified
July 3	42.75	.....	5,797.75	Unidentified
July 9	772.19	.....	6,569.94	$68.73 check endorsed by Jackson Mfg. Co.; $42.65 check endorsed by Cleveland Chair Co.; balance unidentified
July 8	42.80	.....	6,972.94	Unidentified
July 13	1,777.71	.....	7,750.65	Unidentified
July 23	178.61	.....	7,929.26	Unidentified
July 24	805.48	.....	8,734.74	$1.50 unidentified; $1.12 check endorsed by Jackson Mfg. Co.; balance check endorsed by Cleveland Chair Co.
Aug. 7	276.84	.....	9,011.58	$46.00 unidentified; balance checks endorsed by Cleveland Chair Co.
Aug. 17	96.68	.....	9,107.26	Unidentified
Sept. 2	284.57	.....	9,391.83	Unidentified
Sept. 4	30.94	.....	9,422.77	Unidentified
Sept. 9	297.88	.....	9,720.65	$22.40 unidentified; $50.20 checks endorsed by Cleveland Chair Co.; $174.10 checks endorsed by Jackson Mfg. Co.; $50.00 check endorsed by W. R. Jackson
Sept. 28	412.80	.....	10,071.45	Unidentified
Oct. 13	2,127.84	.....	12,201.49	Unidentified
Oct. 15	105.60	.....	12,306.49	Unidentified
Nov. 10	2,328.69	.....	14,635.18	$1,650.00 unidentified; balance checks endorsed by Cleveland Chair Co.
Nov. 24	1,659.97	.....	17,445.15	Unidentified
Dec. 3	2,323.96	.....	19,769.11	$2,974.45 unidentified; $25.41 checks endorsed by W. R. Jackson; balance checks endorsed by Cleveland Chair Co.
Dec. 14	722.45	.....	20,491.59	Unidentified
Dec. 14	645.15	.....	21,136.74	Unidentified
Dec. 28	292.60	.....	21,429.74	Unidentified
Dec. 31	2,152.55	.....	23,582.79	$1,502.46 unidentified; $50.20 check endorsed by W. R. Jackson; bal. checks endorsed by Cleveland Chair Co.
1943				
Jan. 1	49.19	.....	23,631.98	Interest credit
Jan. 9	.....	$ 23,699.69	932.29	
Jan. 13	201.10	.....	933.15	$22.50 check endorsed by Cleveland Chair Co.; balance unidentified

Date	Deposit	Withdrawal	Balance	Source of Deposit
Jan. 13	$23,977.00	.....	$ 28,972.15	Redeposit of funds withdrawn for short-term bonds
Feb. 13	1,488.01	.....	28,438.16	$800.48 check endorsed by Ray Jackson; $402.43 check endorsed by Jackson Mfg. Co.; balance unidentified
Feb. 23	782.89	.....	28,208.05	$382.48 unidentified; $1.00 check endorsed by Jackson Mfg. Co.; $382.25 checks endorsed by W. R. Jackson; balance endorsed by Cleveland Chair Co.
Feb. 27	5,498.15	.....	31,688.20	$1,870.47 unidentified; balance checks endorsed by Jackson Mfg. Co.
Mar. 4	2,178.37	.....	33,841.57	Checks endorsed by Jackson Mfg. Co.
Mar. 12	5,000.00	.....	43,841.57	Unidentified
Mar. 18	454.34	.....	44,295.91	$18.34 check endorsed by W. R. Jackson; balance unidentified
Mar. 18	14,634.95	.....	58,930.86	$2,355.72 check endorsed by Cleveland Chair Co.; balance checks endorsed by Jackson Mfg. Co.
Apr. 2	11,661.27	.....	70,572.13	$1,096.08 unidentified; balance checks endorsed by Jackson Mfg. Co.
Apr. 12	5,000.00	.....	75,572.13	Unidentified
Apr. 26	1,095.00	.....	76,667.13	Unidentified
May 8	350.00	.....	77,017.13	Unidentified
May 10	1,500.00	.....	78,517.13	Unidentified
May 12	3,378.39	.....	81,895.52	Unidentified
May 22	979.86	.....	82,875.38	$981.72 unidentified; $1.00 check endorsed by Cleveland Chair Co.; balance checks endorsed by Jackson Mfg. Co.
June 3	4,100.00	.....	86,975.38	Unidentified
July 1	230.00	.....	87,205.38	Interest credit
July 1	1,831.05	.....	89,036.43	$1,750.98 unidentified; $17.60 check endorsed by Cleveland Chair Co.; $12.06 check endorsed by Jackson Mfg. Co.; balance checks endorsed by W. R. Jackson
July 19	24,578.04	.....	113,614.47	$2,207.40 unidentified; balance checks endorsed by Jackson Mfg. Co.
July 20	7,693.60	.....	121,308.07	Checks endorsed by Jackson Mfg. Co.
July 20	.....	$ 91,308.07	30,000.00	
Aug. 12	.....	2,000.00	28,000.00	
Sept. 13	12,477.38	.....	40,477.38	Checks endorsed by Jackson Mfg. Co.
Oct. 4	.....	2,000.00	44,477.38	
Nov. 28	.....	20,000.00	24,477.38	
1944				
Jan. 1	139.80	.....	24,622.08	Interest credit
Jan. 8	8,516.52	.....	33,134.60	$7,620.33 unidentified; balance checks endorsed by Jackson Mfg. Co.
July 1	165.50	.....	33,300.10	Interest credit
1945				
Jan. 1	133.45	.....	33,433.55	Interest credit
Feb. 8	.....	10,000.00	23,433.55	
July 1	117.35	.....	23,573.90	Interest credit
July 13	1,000.00	.....	24,573.90	Unidentified (apparently error in posting)
1946				
Jan. 1	117.80	.....	24,691.80	Interest credit
Jan. 9	.....	24,000.00	691.80	
Jan. 13	23,978.00	1,000.00	23,697.80	Redeposit of funds withdrawn for short-term bonds.
		120.80	23,576.80	
July 1	117.80	.....	23,694.60	Interest credit

Date	Deposit	Withdrawal	Balance	Source of Deposit
1937				
Jan. 1	$ 130.55	.....	$ 22,772.78	Interest credit
Jan. 9	.....	$ 22,500.00	272.78	
Jan. 15	22,470.00	.....	22,742.78	Redeposit of funds withdrawn for short-term bonds.
July 1	132.75	.....	22,875.53	Interest credit
Nov. 8	.....	8,000.00	14,875.53	
Nov. 24	8,122.00	.....	22,997.53	Unidentified (apparently error in posting)
1938				
Jan. 1	132.20	.....	23,129.73	Interest credit
Jan. 9	.....	22,500.00	629.73	
Jan. 15	22,470.00	.....	23,099.73	Redeposit of funds withdrawn for short-term bonds.
July 1	132.00	.....	23,231.73	Interest credit
1939				
Jan. 1	132.00	.....	23,363.73	Interest credit
July 1	131.80	.....	23,495.53	Interest credit
July 21	.....	5,000.00	18,495.53	
July 22	.....	10,000.00	8,495.53	
July 25	.....	5,000.00	4,295.53	
July 29	.....	4,000.00	295.53	
July 30	.....	295.53	—0—	

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Howard Johnson" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
July 20	$16,322.07	.....	$ 16,322.07	Transfer from John Jones account ($1,422.01 unidentified; balance checks endorsed by Cleveland Chair Co.
Oct. 28	22,228.03	.....	38,450.10	
Nov. 22	.....	$ 30,000.00	8,450.10	
Dec. 15	22,942.50	.....	31,392.60	Checks endorsed by Jackson Mfg. Co.
1944				
Jan. 1	22.70	.....	31,415.30	Interest credit
July 1	297.60	.....	31,712.90	Interest credit
Oct. 17	.....	20,000.00	11,712.90	
1945				
Jan. 1	102.00	.....	11,814.90	Interest credit
July 1	69.10	.....	11,884.00	Interest credit
1946				
Jan. 1	69.40	.....	11,953.40	Interest credit
Jan. 9	.....	11,000.00	953.40	
Jan. 15	10,000.00	.....	10,953.40	Redeposit of funds withdrawn for short-term bonds
July 1	69.64	.....	11,023.04	Interest credit
1947				
Jan. 1	69.66	.....	11,092.70	Interest credit
Jan. 9	.....	11,000.00	92.70	
Jan. 15	11,000.00	.....	11,092.70	Redeposit of funds withdrawn for short-term bonds
July 1	69.15	.....	11,161.85	Interest credit
1948				
Jan. 1	69.45	.....	11,231.30	Interest credit
Jan. 9	.....	11,000.00	231.30	
Jan. 15	11,000.00	.....	11,231.30	Redeposit of funds withdrawn for short-term bonds
July 1	69.70	.....	11,301.00	Interest credit
1949				
Jan. 1	61.60	.....	11,362.60	Interest credit
July 1	61.50	.....	11,424.10	Interest credit
July 21	.....	5,000.00	7,424.10	
July 22	.....	5,000.00	2,424.10	
July 29	.....	2,424.10	—0—	

The following schedule shows the deposits and balances in an account at the East Chattanooga Branch of the Hamilton National Bank entitled, "W. E. Wooten" with a notation as to the source of the deposits:

Date	Deposit	Balance	Source of deposit
1943			
Aug. 27	$80,172.72	$80,172.72	$25,000.00 transferred from Thomas Rogers account; balance checks endorsed by Jackson Mfg. Co.
Nov. 29	20,250.72	80,422.45	Checks endorsed by Jackson Mfg. Co.

On January 31, 1944, checks in the amount of $35,984.48, endorsed by the Jackson Manufacturing Company, were deposited to an account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Ralph Wooten."

The following schedule shows the deposits, withdrawals, and balances in an account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Roe Isbill" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1944				
Sept. 15	$12,000.00	.....	$ 12,000.00	Apparently transferred from Herbert Jowell account
Dec. 11	.....	$ 10,298.13	1,701.87	
1945				
Jan. 1	4.25	.....	1,706.12	Interest credit
July 1	8.50	.....	1,714.62	Interest credit
1946				
Jan. 1	8.55	.....	1,723.17	Interest credit
Apr. 10	.....	1,723.17	—0—	

The following schedule shows the deposits, withdrawals, and balances in an account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Jim Jolly" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1944				
Sept. 15	$12,000.00	.....	$ 12,000.00	Unidentified
Oct. 19	.....	$ 2,770.19	9,229.81	
1945				
Jan. 1	24.30	.....	9,254.11	Interest credit
July 1	48.75	.....	9,302.86	Interest credit
July 17	.....	4,000.00	5,302.86	
1946				
Jan. 1	26.50	.....	5,329.36	Interest credit
Apr. 10	.....	5,329.36	—0—	

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled, "W. E. Wooten and W. R. Jackson" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
Mar. 25	$ 197.25	.....	$ 197.25	Unidentified
Mar. 27	71.01	.....	268.26	Unidentified
Apr. 6	207.50	.....	475.76	Unidentified
Apr. 19	181.44	.....	657.20	Unidentified
Apr. 23	221.20	.....	878.40	Unidentified
Apr. 27	240.60	.....	1,119.00	Unidentified
May 5	240.04	.....	1,359.04	Unidentified

Date	Deposit	Withdrawal	Balance	Source of Deposit
May 21	$ 372.04	.....	$ 1,827.41	Unidentified
May 28	196.30	.....	1,733.71	Unidentified
June 5	859.94	.....	2,293.65	Unidentified
June 10	3,246.00	.....	5,539.65	Unidentified
June 17	.....	$ 5,539.65	—0—	Check endorsed by W. R. Jackson

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Thomas Rogers" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
July 20	$25,000.00	.....	$ 25,000.00	Transferred from the John Jones account
Aug. 27	.....	$ 25,000.00	—0—	

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Samuel Jackson" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
July 20	$25,000.00	.....	$ 25,000.00	Transferred from the John Jones account
Aug. 27	.....	$ 25,000.00	—0—	

The following schedule shows the deposits, withdrawals, and balances in the account at the East Chattanooga Branch of the Hamilton National Bank entitled, "Melvin Lee" with a notation as to the source of the deposits:

Date	Deposit	Withdrawal	Balance	Source of Deposit
1943				
July 20	$25,000.00	.....	$ 25,000.00	Transferred from the John Jones account
Aug. 27	.....	$ 25,000.00	—0—	

The following schedule shows the clearing date, amount, last endorsement, and disposition of proceeds of certain checks endorsed by W. R. Jackson, Ray Jackson, and Lee Jackson which were cashed at the East Chattanooga Branch of the Hamilton National Bank during the years 1942, 1943, 1944, and 1945.

Clearing Date	Amount	Last Endorsement By	Deposited to Account of	Cashed But Not Deposited
1942				
June 10	$3,246.00	W. R. Jackson	Wooten and Jackson	
September 9	23.00	W. R. Jackson	John Jones	
December 3	3.37	W. R. Jackson	John Jones	
December 3	18.88	W. R. Jackson	John Jones	
December 3	33.13	W. R. Jackson	John Jones	
December 21	28.80	W. R. Jackson	John Jones	
Total	$3,353.21			
1943				
January 25	$ 7.22	Lee Jackson [1]		$ 7.22
February 12	1,422.01	Ray Jackson [2]	John Jones	
February 23	202.35	W. R. Jackson	John Jones	
March 16	18.24	W. R. Jackson	John Jones	
April 2	19.05	W. R. Jackson	Jolly Jewell	

[1] Lee Jackson is a brother of W. R. Jackson and was the superintendent of the Jackson Manufacturing Company's factory during the years here involved.

[2] W. R. Jackson was sometimes called Ray Jackson.

Clearing Date	Amount	Last Endorsement By	Deposited to Account of	Cashed But Not Deposited
1943				
April 2	$ 30.14	W. R. Jackson	Jolly Jewell	
April 2	24.07	W. R. Jackson	Jolly Jewell	
April 2	8.00	W. R. Jackson	Jolly Jewell	
April 2	26.00	W. R. Jackson	Jolly Jewell	
April 26	125.00	W. R. Jackson	Jolly Jewell	
July 1	20.04	W. R. Jackson	John Jones	
July 1	24.42	W. R. Jackson	John Jones	
July 20	200.00	W. R. Jackson		$ 200.00
September 21	4.61	W. R. Jackson		4.61
September 21	38.40	W. R. Jackson		38.40
Total	$2,281.35			$ 250.93
1944				
February 25	$1,993.79	W. R. Jackson		$1,993.79
April 17	13.50	Ray Jackson		13.50
Total	$2,007.29			$2,007.29
1945				
March 7	$ 49.75	Ray Jackson		$ 49.75
April 23	38.45	Ray Jackson		38.45
April 23	30.68	W. R. Jackson		30.68
Total	$ 118.88			$ 118.88

All of the checks which have been identified as those of Jackson Manufacturing Company or Cleveland Chair Company in explaining the deposits to the various accounts under the names of Jolly Jewell, Herbert Jewell, Bertha Jewell, John Jones, and the other names as heretofore ser forth, were checks issued by the purchaser of products of Jackson Manufacturing Company or Cleveland Chair Company in payment for products shipped by the respective company to such purchasers.

Both Jackson and Alice had personal checking accounts at the East Chattanooga Branch of the Hamilton National Bank, separate and apart from the account of the Jackson Manufacturing Company, and Alice also had a savings account at the East Chattanooga Branch of the Hamilton National Bank. Jackson also had a checking account for approximately a 6-month period during 1943 at the East Chattanooga Branch of the Hamilton National Bank entitled, "W. R. Jackson Special Account."

On August 12, 1943, a $2,000 deposit was made to the W. R. Jackson special checking account at the East Chattanooga Branch of the Hamilton National Bank with funds withdrawn on the same date from the account entitled, "John Jones."

On October 4, 1943, a $2,000 deposit was made to the W. R. Jackson special checking account at the East Chattanooga Branch of the Hamilton National Bank with funds withdrawn on the same date from the account entitled, "John Jones."

On November 26, 1943, a $50,000 deposit was made to W. R. Jackson's checking account at the East Chattanooga Branch of the Hamilton National Bank. The funds for this deposit consisted of $20,000 withdrawn on the same date as the

deposit was made from the account entitled, "John Jones" and $30,000 withdrawn on the same date from the account entitled, "Howard Johnson."

On November 26, 1943, Jackson and Alice purchased a farm for the amount of $42,500 and some adjacent land for $7,500. The check for these purchases was drawn on W. R. Jackson's checking account at the East Chattanooga Branch of the Hamilton National Bank.

On or about November 30, 1944, Jackson purchased from the Jack M. Bass Company at a cost of $10, 298.13 certain 2¾ percent Roane County refunding bonds. In payment for the bonds Jack M. Bass Company drew a $10,298.13 sight draft on the Merchants Bank at Cleveland, Tennessee. The sight draft was paid by cashier's check number 12628 in the amount of $10,298.13 issued by the East Chattanooga Branch of the Hamilton National Bank to the Merchants Bank on December 5, 1944. The funds to cover the cashier's check so issued were withdrawn from the Roe Isbill account.

On April 1, 1944, a $100,000 deposit was made to the account of Cleveland Chair Company at the East Chattanooga Branch of the Hamilton National Bank. This deposit consisted of a transfer of $100,000 from the Jolly Jewell account on the same day the deposit was made. As a result of the deposit of $100,000 to the Cleveland Chair Company's account, Jackson and Alice were issued additional stock of the Cleveland Chair Company in the amount of $100,000.

On February 13, 1945, W. R. Jackson opened a personal account in his name at the Sears Community State Bank, Chicago, Illinois. The initial deposit was in the amount of $10,000 and was represented by cashier's check number 12755 issued by the East Chattanooga Branch of the Hamilton National Bank, Chattanooga, Tennes-

see, on February 8, 1945, payable to the Sears Community State Bank. The funds for the payment of the cashier's check were withdrawn on February 8, 1945, from the account entitled, "John Jones."

There were no other deposits or credits to, or withdrawals from, the personal account of W. R. Jackson at the Sears Community State Bank from the date that it was opened until it was closed on April 18, 1952, at Jackson's request. The bank issued cashier's check number 87062 in the amount of $10,000, dated April 18, 1952, payable to Jackson in order to close the account. This cashier's check had not been presented for payment and was still outstanding on January 10, 1962.

On May 3, 1944, Jackson opened a savings account at the Exchange Bank of St. Augustine, St. Augustine, Florida, with a deposit of $50,000. Of this deposit $40,000 consisted of proceeds of a loan and $10,000 represented that portion of a $10,300 cashier's check issued by the East Chattanooga Branch of the Hamilton National Bank on May 1, 1944, payable to the Exchange Bank of St. Augustine. The remaining $300 of this cashier's check was used to pay the interest for 90 days in advance on the $40,000 loan.

The amount of $10,000 had been withdrawn from the Herbert Jewell account on April 29, 1944. Jackson pledged the $40,000 savings account as collateral for the loan of $40,000 from the St. Augustine Bank and did not withdraw this amount until August 9, 1944, when he drew a $40,000 check on this savings account payable to the Exchange Bank of St. Augustine to pay the $40,000 note which became due on August 3, 1944.

On October 16, 1945, Jackson withdrew $10,083.33 from his savings account number 6829 at the Exchange Bank of St. Augustine by check dated October 1, 1945, payable to the Rome Bank and Trust Company, Rome Georgia, which amount was used to open a savings account in Jackson's name at the Rome Bank and Trust Company, Rome, Georgia.

During the years 1944, 1945, and 1946, the Exchange Bank of St. Augustine credited interest to the savings account in Jackson's name in the amounts of $83.33, $100.97, and $1.00, respectively.

The account in the Rome Bank and Trust Company, Rome, Georgia, opened in Jackson's name on October 16, 1945, was closed on March 16, 1950. During the time the account was in existence interest was credited thereto in the following amounts:

Date	Amount
December 28, 1945	$25.31
June 27, 1946	50.54
December 31, 1946	50.79
June 30, 1947	51.04
December 31, 1947	51.30
June 30, 1948	51.56
December 31, 1948	51.81
June 30, 1949	52.07
December 31, 1949	52.33

Alice received the following amounts as interest on a savings account in her name at the East Chattanooga Branch of the Hamilton National Bank:

Date	Amount
January 1, 1942	$7.15
July 1, 1942	20.15
January 1, 1943	14.30
July 1, 1943	35.50
January 1, 1944	49.00
July 1, 1944	50.15

Jackson recrived $12.90 interest on a savings account at the East Chattanooga Branch of the Hamilton National Bank as of January 1, 1942.

After the entry of the United States into World War II in late 1941, and particularly after the price regulations of OPA became applicable to materials Jackson Manufacturing Company and Cleveland Chair Company were purchasing in

approximately May 1942, the two companies experienced increasing difficulty in obtaining sufficient materials to manufacture the amount of furniture which they were able to sell. Jackson and Wooten discussed this increasing difficulty and came to the conclusion that they would purchase certain scarce material on the "Black Market" for cash.

The major item which Jackson Manufacturing Company and Cleveland Chair Company and difficulty in obtaining was upholstery material. There was also some difficulty in obtaining lumber. In the case of lumber, Jackson Manufacturing Company and Cleveland Chair Company sometimes were able to obtain lumber from suppliers withour cash payments, but on regular invoices paid by company check by having the lumber invoiced at a higher grade than the lumber was actually shipped. Thus, the supplier would obtain for the lower grade of lumber the price applicable to the higher grade, but the transaction would appear as a regular transaction for the higher grade of lumber on Jackson Manufacturing Company's or Cleveland Chair Company's books of account.

When purchases for Jackson Manufacturing Company and Cleveland Chair Company on the Black Market were first made for cash, the cash to purchase the items was obtained by cashing checks on the company's bank account and purchasing the items with the cash thus obtained. The accountant who audited the books of Jackson Manufacturing Company and Cleveland Chair Company suggested to Jackson that the respective companies stop the practice of writing checks to cash. Jackson and Wooten then discussed the method of obtaining the cash for purchases without drawing cash from the regular company bank accounts so that the withdrawal would

show on the company records. It was decided that certain checks which would be received by Jackson Manufacturing Company and Cleveland Chair Company in payment for merchandise would be cashed and the sales represented by these checks would not be entered on the accounts receivable ledger or in the gross sales of the respective company. In order that the girls posting the books in the office would not question the transactions, it was decided that when checks came in for invoices which had not yet been posted to the accounts receivable ledger but were in the bottom drawer of Jackson's desk at the Chattanooga office, the invoices that the check was in payment of would be pulled out of the stack of unposted invoices from which the girls posted and would never be posted to the accounts receivable ledger.

Jackson decided that Wooten should be able to cash some of the customers' checks which were made payable to Jackson Manufacturing Company or Cleveland Chair Company without such checks being deposited in the regular accounts of the two companies. Jackson therefore arranged with E. C. Dodd (hereinafter referred to as Dodd) who was manager of the East Chattanooga Branch of the Hamilton National Bank at Chattanooga, Tennessee, for Wooten to be permitted to cash checks drawn to Jackson Manufacturing Company and Cleve-Chair Company and to receive the proceeds in cash. These checks would have the regular company endorsement thereon.

When Wooten cashed checks in this manner, he would attempt to take checks that would total exactly the amount he would need to make the contemplated cash purchases. On certain occasions in anticipation of needing cash, he would take checks to the bank a day or two ahead of the date of the contemplated purchases and ask Dodd to hold the cash for a day or two until he called for it. The Black Market purchases

made by Wooten in this manner never exceeded $25,000 at any one time, and the total amount spent in this manner by Wooten from the time he began to make purchases in this manner in late 1942 until the first of April 1944, when he went into the United States Navy, for the combined Black Market purchases for Jackson Manufacturing Company and Cleveland Chair Company was between $75,000 and $100,000.

When the total checks which Wooten pulled would be more than the amount he paid for the materials purchased on the Black Market, he would take the remaining cash and purchase drapery material to use for upholstery material, or upholstery material at the regular department stores in Chattanooga, such as J. C. Penny. The materials purchased in this manner were legitimate purchases at the regular OPA prices at the department stores and would vary from very small amounts on certain occasions to as much as $400 for such material on other occasions.

The accountant who audited the books of Jackson Manufacturing Company and Cleveland Chair Company was not informed of the amounts which were not posted to the accounts receivable ledgers or included in gross sales, or that cash was received for checks representing such sales and used for purchases at Black Market prices.

Wooten would regularly give Jackson an accounting of the company checks which he had cashed and the items for which the cash had been expended with some form of receipt from the person to whom the payment had been made. When Wooten entered the military service around the first of April 1944, he advised Jackson that all amounts of cash that he had obtained had been properly accounted for.

Shortly after Wooten went into the military service, a customer billed by either Jackson Manufacturing Company or Cleveland Chair Company with a follow-up invoice informed Jackson that such invoice had been previously paid. Jackson immediately called in the companies' accountant to check the accounts receivable ledgers of the two companies to determine whether there were inaccuracies therein. Jackson wrote a letter to Wooten which Wooten interpreted to suggest that he might have taken for his own use cash from checks received in payment for goods by the companies. The accountant circularized the accounts receivable as shown on the books of the Jackson Manufacturing Company and the Cleveland Chair Company and determined that such accounts were overstated by approximately $43,000. The accountant did not have his workpapers at the time of the trial and did not know what adjustment if any was made on the companies' books.

When Wooten returned on leave shortly after he entered the military service, he discussed the $43,000 shortage in the accounts receivable of the two companies with Jackson. After Wooten went into the service Jackson personally handled all purchasing for both Jackson Manufacturing Company and Cleveland Chair Company until sometime in 1945 when he hired a man named Bill Randolph to work for the companies.

Both during the time that Wooten was with Jackson Manufacturing Company and Cleveland Chair Company and thereafter, Jackson himself withheld from posting to the accounts receivable ledgers, certain invoices and diverted the proceeds of the customers' checks in payment therefor

from the businesses of Jackson Manufacturing Company and Cleveland Chair Company so that the amounts thereof were not included in the gross sales of either of the companies, but he did not use any of the amounts so diverted for the purchase of materials for the two companies.

In determining the price which could be charged for various items of furniture manufactured and sold by Jackson Manufacturing Company and Cleveland Chair Company, the cost of upholstery material used was the Black Market price actually paid in instances where such material had been purchased at a Black Market price, and any such material in inventory at the date an inventory was taken was placed in inventory at the Black Market price actually paid.

The following schedule shows a comparison of the percentage of net income to net sales of furniture manufacturers according to certain statistical compilation with similar percentages of Jackson Manufacturing Company and Cleveland Chair Company:

	1941	1942	1943	1944	1945	1946	1947	1948	1949
Dun & Bradstreet—Furniture Manufacturers (over 100 concerns each year)	3.10	2.73	3.31	4.63	4.52	5.82	5.24	....	....
Southern Furniture Manufacturers' Association (before taxes)	6.38	5.42	6.19	6.46	8.53	....	....	....	....
Jackson Manufacturing Company:									
Per the partnership return of income (before taxes)	4.52	9.46	9.57	13.99	12.71	23.35	15.89	....	....
As determined by respondent in the notice of deficiency (before taxes)	7.53	12.87	27.02	17.40	13.22	....	....	....	....
Cleveland Chair Company:									
Per the corporate return of income (before taxes)	4.32	3.72	9.61	8.04	10.27	15.21	16.32	17.58	12.88
As determined by respondent in the notice of deficiency (before taxes)	....	4.19	21.38	10.60	10.88	....	....	....	....

During the period from 1936 through 1945, Dodd was the manager of the East Chattanooga Branch of the Hamilton National Bank. In 1946 Dodd was transferred to a bank in Cedartown, Georgia, where he was for a short period before returning to the East Chattanooga Branch of the Hamilton National Bank where he remained until his resignation on February 1, 1950. Jackson first met Dodd in 1936 when the Jackson Manufacturing Company's operations in East Chattanooga, Tennessee were commenced. Jackson and Dodd frequently had lunch together but were not otherwise friends socially. Jackson borrowed money from time to time from the East Chattanooga Branch of the Hamilton National Bank, and Dodd handled these transactions for Jackson, as well as miscellaneous other financial transactions. Jackson trusted Dodd and accepted advice from him on financial matters. Dodd and Jackson would from time to time do favors for each other, and Jackson was of the opinion that Dodd always performed agreements which he had with him.

In some cases Jackson would leave notes and checks signed in blank with Dodd to cover situations which might arise when Jackson would not be available to sign such documents. On occasions Dodd covered overdrafts at the bank for Jackson. Jackson, through his businesses, became the largest depositor in the East Chattanooga Branch of the Hamilton National Bank which Dodd managed.

Jackson made personal loans to various parties from time to time and Dodd assisted him in handling these loans. Sometimes during the years here involved Jackson turned over to Dodd the handling of his private loans. From

time to time Dodd would account to Jackson for collections on these loans.

As of December 31, 1945, the partnership, Jackson Manufacturing Company, was liquidated and a corporation under the name of Jackson Manufacturing Company was formed which took over the business previously operated by the partership. The stock of the new corporation was issued to Jackson and Alice in exchange for assets turned over to the corporation.

Jackson Manufacturing Company, a partnership, omitted sales from its partnership returns of income from which the distributable partnership income of Jackson and Alice was computed in the following amounts for the years indicated:

Year	Amount
1942	$ 26,145.76
1943	224,865.72
1944	50,289.14
1945	8,232.94
Total	$309,533.56

Jackson Manufacturing Company, on its partnership returns of income from which the distributable income of Jackson and Alice was computed, omitted purchases from its cost of goods sold for the years 1942, 1943, and 1944, in the amounts of $100, $48,000, and $900, respectively. The partnership did not omit any purchases from costs of goods sold on its return of income for the year 1945.

Cleveland Chair Company omitted sales from its Federal income, declared value excess profits, and excess profits tax returns in the following amounts for the years indicated:

Year	Amount
1942	$ 3,327.60
1943	203,131.41
1944	37,577.09
1945	11,808.74
TOTAL	$255,844.84

The Cleveland Chair Company omitted purchases from its costs of goods sold for these same years in the respective amounts of $100, $49,000, $900, and none.

Jackson and Alice each omitted from their reported income for the years 1942 through 1945 their distributive portion of the understatement of partnership income on the basis of 55 percent to Jackson and 45 percent to Alice. Jackson omitted income received from Cleveland Chair Company through withholding checks of that corporation to the extent of 55 percent of the withheld amounts less the amounts of omitted purchases, and Alice to the extent of 45 percent of such amount but limited by the available earnings and profits of Cleveland Chair Company.

Jackson, on his Federal income tax return for the year 1942, failed to report $12.90 of interest on his personal savings account and reported no interest for the years 1942 through 1947 on the various accounts in the name of Jolly Jewell, Herbert Jewell, John Jones, W. E. Wooten, and others.

Alice failed to report interest from her personal savings account for the years 1942, 1943, 1944, and 1945 in the amounts of $31.60, $49.80, 99.15, and $103.40, respectively, and reported no interest for the years 1942 through 1947 from the various accounts in the names of Jolly Jewell, Herbert Jewell, John Jones, W. E. Wooten, and others.

W. R. Jackson and Alice Jewell Jackson, for the years 1948 and 1949, reported no interest from the various accounts in the names of Jolly Jewell, Herbert Jewell, John Jones, W. E. Wooten, and others as heretofore listed.

The Jackson Manufacturing Company on its partnership returns of income reported and claimed deductions for the years 1942, 1943, 1944, and 1945 as follows:

1942			
Sales			$ 668,139.42
Cost of goods sold			
Beginning inventory		$ 35,861.75	
Purchases:			
Lumber	$ 51,115.03		
Raw materials	174,394.19		
Upholstering materials	196,904.38		
Freight and express	11,830.66		
		434,234.26	
Labor		104,669.83	
Manufacturing expenses		13,424.88	
		$ 588,190.02	
Less: Ending inventory		37,108.32	
Total: Cost of goods sold			551,081.70
Gross profit on sales			$ 117,057.72
Less: Selling expenses			37,754.82
			$ 79,302.90
Less: Operating expenses			11,900.67
			$ 67,402.23
Plus: Other income			8,458.90
			$ 75,861.13
Less: Other expense			17,929.88
Net book profit			$ 57,931.25
Plus: Partners' salaries			4,680.00
Contributions			619.00
Net income			$ 63,230.25
1943			
Sales			$ 940,537.87
Cost of goods sold			
Beginning inventory		$ 37,108.32	
Purchases:			
Lumber	$107,411.09		
Raw materials	206,401.17		
Upholstering materials	244,379.73		
Freight and express	20,412.62		
		587,604.61	
Labor		171,859.09	
Manufacturing expenses		21,267.01	
		$ 808,839.03	
Less: Ending inventory		25,232.09	
Total: Cost of goods sold			783,606.94
Gross profit on sales			$ 156,930.93
Less: Selling expenses			47,999.53
			$ 108,931.40
Less: Operating expenses			13,370.65
			$ 95,560.75
Plus: Other income			8,085.46
			$ 103,646.21
Less: Other expense			19,010.09
Net book profit			$ 84,636.12
Plus: Partners' salaries			4,930.00
Contributions			459.00
Net income			$ 90,025.12

1944			
Sales			$1,218,744.34
Cost of goods sold			
Beginning inventory		$ 25,232.09	
Purchases:			
Lumber	$ 80,982.67		
Raw materials	282,291.89		
Upholstering materials	389,903.80		
Freight and express	26,021.28		
		779,199.64	
Labor		170,437.82	
Manufacturing expenses		23,819.11	
		$ 998,688.66	
Less: Ending inventory		26,362.30	
Total: Cost of goods sold			972,326.36
Gross profit on sales			$ 244,417.98
Less: Selling expenses			54,124.43
			$ 190,293.55
Less: Operating expenses			15,644.29
			$ 174,649.26
Plus: Other income			11,694.02
			$ 186,343.28
Less: Other expense			24,824.80
Net book profit			$ 161,518.48
Plus: Partners' salaries			7,300.00
Contributions			1,433.00
Net income			$ 170,241.48
1945			
Sales			$1,400,417.44
Cost of goods sold			
Beginning inventory		$ 26,362.30	
Purchases:			
Lumber	$101,118.34		
Raw materials	277,592.05		
Upholstering materials	527,003.66		
Freight and express	24,110.02		
		929,824.07	
Labor		195,035.57	
Manufacturing expenses		23,802.59	
		$1,175,024.53	
Less: Ending inventory		35,165.25	
Total: Cost of goods sold			1,139,859.28
Gross profit on sales			$ 260,558.16
Less: Selling expenses			57,674.38
			$ 202,983.78
Less: Operating expenses			14,880.26
			$ 188,103.52
Plus: Other income			10,855.01
			$ 198,958.53
Less: Other expense			29,250.72
Net book profit			$ *169,707.81
Plus: Partners' salaries			7,440.00
Contributions			918.25
Net income			$ 178,066.06

The Cleveland Chair Company on its corporate income tax returns, from which its excess profits tax net income reported on those returns, and declared value excess profits tax net income reported on those returns was computed, showed income and claimed deductions for the years indicated as follows:

1942		
Sales		$ 703,327.79
Less: Cost of goods sold		
Beginning inventory	$ 92,814.06	
Purchases	355,850.66	
Salaries and wages	177,772.83	
Other costs	9,887.28	
	$636,324.83	
Less: Ending inventory	51,067.53	585,257.30
		$ 118,070.49
Interest		7.45
		$118,077.94
Less: Deductions		91,928.62
		$ 26,149.32
Less: Declared value excess profits tax		405.86
Net income		25,743.46
Excess profits net income		$ 25,967.41
1943		
Sales		$1,089,875.96
Less: Cost of goods sold		
Beginning inventory	$ 51,067.53	
Purchases	612,942.18	
Salaries and wages	268,181.31	
Other costs	14,681.18	
	$946,872.20	
Less: Ending inventory	54,372.47	892,499.73
		$ 197,376.23
Other income		2,902.29
		$ 200,278.52
Less: Deductions		128,249.44
		$ 72,029.08
Less: Declared value excess profits tax		—0—
Net income		$ 72,029.08
Excess profits net income		$ 72,029.08

1944		
Sales		$1,301,397.98
Less: Cost of goods sold		
Beginning inventory	$ 54,372.47	
Purchases:		
Lumber	174,267.77	
Raw materials	291,221.20	
Upholstering materials	281,274.60	
Freight and express	38,998.21	
Labor	274,177.72	
Manufacturing expenses	40,790.80	
	$1,155,102.57	
Less: Ending inventory	70,943.73	1,084,158.84
		$ 217,239.12
Selling, operating, and other expenses		121,219.86
		$ 96,019.26
1944		
Other income		$ 8,620.94
		$ 104,640.20
Less: Declared Value Excess Profits tax		306.25
Net income		104,333.95
Excess profits net income		104,333.95
1945		
Sales		$1,648,764.11
Less: Cost of goods sold		
Beginning inventory	$ 70,943.73	
Purchases	1,043,006.26	
Salaries and wages	273,400.04	
Other costs	18,313.89	
	1,405,663.92	
Less: Ending inventory	88,645.75	1,317,018.17
		$ 331,745.94
Interest		1,276.59
Other income		475.72
		$ 333,498.25
Less: Deductions		164,215.66
		$ 169,282.59
Less: Declared value excess profits tax		2,922.65
Net income		$ 166,359.94
Excess profits net income		$ 166,359.94

Respondent in his notice of deficiency increased the reported income from distributable partnership income of Jackson and Alice for the years and in the amounts as follows:

Year	Jackson	Alice
1942	$ 16,339.18	$ 9,806.58
1943	125,772.64	99,093.08
1944	27,659.03	22,630.11
1945	4,605.12	3,627.82

Respondent increased the reported income of Jackson and Alice by the following amounts, stated to represent distributions from the Cleveland Chair Company:

Year	Jackson	Alice
1942	$ 1,830.18	$ 1,497.42
1943*	92,242.84	75,471.42
1944	20,667.40	16,909.69
1945	6,494.81	5,313.93

* The distribution included by respondent in 1943 was limited by available earnings and profits of Cleveland Chair Company as computed in the deficiency notices.

Respondent increased the reported income of Jackson and Alice for the years 1942, 1943, 1944, 1945, 1946 and 1947 by amounts stated to represent unreported interest as follows:

Year	Jackson	Alice
1942	$ 12.90	$ 31.60
1943	169.79	188.71
1944	666.04	644.09
1945	416.04	443.79
1946	296.37	342.32
1947	252.69	428.65

Respondent increased the income as reported on the joint Federal income tax returns of Jackson and Alice for the years 1948 and 1949 in the respective amounts of $956.97 and $610.53, stated to represent unreported interest income.

Respondent determined that there were unreported sales of the partnership, Jackson Manufacturing Company, and the corporation, Cleveland Chair Company, all of which represented net income, for the years and in the amounts as follows:

Year	Jackson Manufacturing Co.	Cleveland Chair Co.
1942	$ 26,145.76	$ 3,327.60
1943	224,865.72	203,131.41
1944	50,289.14	37,577.09
1945	8,232.94	11,808.74

In the case of Cleveland Chair Company respondent determined deficiencies in declared value excess profits tax and excess profits tax based primarily on adding in as additional income the unreported sales as

determined by respondent but also making certain minor adjustments which have not been contested herein, other than to the extent that petitioners contend the statute of limitations bars the assessment or collection of a deficiency for any of the years here involved.

Respondent determined an addition to tax under section 293(b) of the Internal Revenue Code of 1939 to be due from each petitioner in each year in which a deficiency was determined because a part of such deficiency was due to fraud with intent to evade tax and determine an addition to income tax for fraud to be due from Cleveland Chair Company for 1942 although no deficiency in tax for that year was determined.

Ultimate Facts

1. W. R. Jackson filed false and fraudulent income tax returns for each of the years 1942, 1943, 1944, and 1945 with intent to evade tax and therefore assessment and collection of deficiencies in income tax from him for these years are not barred by the statute of limitations. Respondent has failed to show that the returns filed by W. R. Jackson for the years 1946 and 1947 were false or fraudulent with intent to evade tax. Therefore the assessment of any deficiency for these years is barred by the statute of limitations.

2. There is a deficiency in income tax due from W. R. Jackson for each of the years 1942, 1943, 1944, and 1945, some part of which is due to fraud with intent to evade tax.

3. Respondent has failed to prove by clear and convincing evidence that the returns filed by Alice Jewell Jackson for any one of the years 1942, 1943, 1944, 1945, 1946, and 1947 were false or fraudulent with intent to evade tax and therefore the assessment or collection of any deficiency in tax from Alice Jewell Jackson for each of these years is bar-

red by the statute of limitations.

4. Cleveland Chair Company filed false and fraudulent excess profits and declared value excess profits tax returns for each of the years 1942, 1943, 1944, and 1945, and a false and fraudulent income tax return for the year 1942, and therefore assessment and collection of deficiencies in these taxes for these years from Cleveland Chair Company are not barred by the statute of limitations.

5. There is a deficiency in declared value excess profits tax and a deficiency in excess profits tax due from Cleveland Chair Company for each of the years 1942, 1943, 1944, and 1945, part of which is due to fraud with intent to evade tax.

6. W. R. Jackson and Alice Jewell Jackson have failed to prove that respondent erred in increasing their taxable income by unreported interest for each of the years 1948 and 1949.

7. Respondent has failed to establish that any portion of the deficiency due from W. R. Jackson and Alice Jewell Jackson for either the years 1948 or 1949 was due to fraud with intent to evade tax.

Opinion

For all years here involved with respect to each petitioner, other than the joint liability of Jackson and Alice for the years 1948 and 1949, the assessment or collection of deficiencies is barred by the statute of limitations in the absence of fraud.

The evidence with respect to Alice is not clear and convincing that she knew anything about the understatement of sales by Jackson Manufacturing Company or Cleveland Chair Company, or knew that checks in payment of accounts receivable were diverted from the companies' accounts. The record shows that her work for the companies was of a type which

would not necessitate knowledge of the keeping of the books of the companies or of the amount of sales made by them.

Respondent's primary argument that Alice's returns were false or fraudulent with intent to evade tax is based on the assumption that since she was a 45 percent owner in each business and since certain of the moneys obtained from the diverted sales were used to purchase assets for her such as her interest in the farm and 45 percent of the additional stock in Cleveland Chair Company, it necessarily follows that she knew of the unreported income. At best, respondent's argument raises a suspicion that she might have known of the unreported income either from her general association with the businesses or from information furnished her by her husband. A suspicion is not the clear and convincing evidence needed to establish fraud. Since Alice did not file joint returns with her husband for the years 1942 through 1947 but filed separate returns, proof that Alice's husband's returns were false or fraudulent for any of these years is not clear and convicing evidence that Alice's returns were likewise false or fraudulent. *United Dressed Beef Co.* (Dec. 20,875, 23 T. C. 879 (1955). Alice did omit certain small amounts of interest on her personal savings account from her return, but the evidence does not show that her failure to furnish the accountant who prepared her returns with information as to the amount of this interest was intentional. Since the parties agree that the assessment or collection of any deficiency from Alice for any of the years 1942, 1943, 1944, 1945, 1946, and 1947 is barred by the statute of limitations in the absence of fraud, we hold that respondent erred in his determination of any deficiencies against Alice for any of these years.

The evidence is clear and convicing that the returns filed by Jackson and by Cleveland Chair Company for each of

the years 1942, 1943, 1944, and 1945 were false and fraudulent with intent to evade tax and that some part of the deficiencies in each tax here in issue of Jackson and Cleveland Chair Company for each of these years was due to fraud with intent to evade tax. The evidence shows that Jackson as an officer of Cleveland Chair Company falsified the returns of that company with intent to evade tax. Such proof is sufficient to establish that the corporate returns were false and fraudulent. *Auerbach Shoe Co.* (Dec. 19,972), 21 T. C. 191 (1953), affd. (54-2 USTC par 9673) 216 F 2d (C. A. 1, 1954, 693 and *United Mercantile Agencies, Inc.* (Dec. 20,940), 23 T. C. 1105 (1955), affd. (57-1 USTC par. 9212) 238 F. 2d 735 (C. A. 6, 1956). Since the evidence shows that Jackson was responsible for the understatement of income both in partnership returns of income and the corporate returns, the proof of fraud with respect to Jackson's own returns and the corporate returns follows a similar pattern.

Jackson admits that the sales of both the partnership and the corporation were understated by the amounts of the customers' checks received by each which were not credited to gross sales of the businesses but contends that all the money obtained from the cashing of such checks was used for purchases of Black Market materials, the cost of which was not included in the cost of goods sold as shown on the tax returns filed.

Petitioner admits that the checks as analyzed by respondent were deposited to the various fictitious accounts and that withdrawals from these accounts were the source of funds for the purchase of Jackson's farm, Rome County bonds, stock in Cleveland Chair Company, and for similar personal purposes of Jackson. Petitioners contend and Jackson testified that he though these funds were coming to him from other sources, primarily from loans arranged by Dodd. Jackson denied that he knew of the existence of these accounts, except the Thomas Rogers account and the Jackson and Woo[redacted] count. Jackson did not consider the Jackson and Wooten account as ficititious. Petitioner therefore speculates that when the checks were cashed Dodd used moneys otherwise available to him to give Jackson the cash and then deposited the checks to the various fictitious accounts without Jackson's knowledge.

The evidence is clear and convincing that the proceeds of a great number of the checks cashed which were not included in the gross sales of the businesses were not used for the purchase of materials on the Black Market but were diverted to Jackson's personal uses. Respondent has traced funds from the various accounts to the personal uses of Jackson as set forth in our findings of fact. Petitioners' only attempt to counteract this is to contend that Jackson thought the money was coming from Dodd through collections Dodd was making for him or through loans Dodd arranged for him, except as to the farm transaction where Jackson contends that he borrowed $40,000 from his farther for use toward the purchase of the farm.

We have not set forth in detail the various explan-

ations which Jackson attempted to give since they are so inconsistent and confused as to be totally unworthy of belief. Jackson's testimony with respect to Wooten, a young man who at the time the Black Market purchases began was not over 25 years old, having been responsible for cashing of the checks of the two businesses in the amounts here shown to have been diverted from gross sales in totally unbelievable. Wooten himself testified and he did not deny that when first interviewed by respondent's agents he had estimated that the total amount of cash from checks of Jackson Manufacturing Company and Cleveland Chair Company which he handled during the entire time he was working for Jackson's two companies prior to entering the service in April 1944, was between $75,000 and $100,000 and that he spent such amount in Black Market purchases. He said that he could not presently remember the amount he handled but if he had told respondent's agents it was between $75,000 and $100,000 when he was first interviewed, that would be his best recollection. At the trial he testified that he never handled more than $20,000 to $25,000 in cash for Black market purchases at any one time.

The record shows total checks cashed far in excess of the $75,000 to $100,000 that Wooten estimated he spent for Black Market purchases. The record also shows checks to Jackson Manufacturing Company and Cleveland Chair Company which were not recorded in the receipts of these companies in excess of $25,000 clearing on a specific date in a number of instances. For instance, as of August 27, 1943, checks of the Jackson Manufacturing Company in amounts over $40,000 and of Cleveland Chair Company in amounts over $33,000 were cashed and there are other similar instances shown

in the facts, as for instance the January 8, 1944, deposit to the Jolly Jewell account of $32,917.43 and the January 31, 1944 deposit of $35,984.48 of checks of Jackson Manufacturing Company to the Ralph Wooten account. Viewed in its entirety Wooten's testimony clearly shows that he cashed and spent in Black Market purchases only a small portion of the diverted funds.

Jackson specifically denied personally spending any funds in Black Market activities other than the $25,000 deposited to the Thomas Rogers account which he admitted having some knowledge of and certain cash payments to a Yates Bleaching Company which he said were made by Dodd with funds he had left with Dodd. Jackson denied knowing how the obtaining of such funds left with Dodd was handled, claiming that the girl in his office by the name of Cavanaugh in some way handled it.

We have not found fraud for the years 1946 and 1947 in the case of Jackson since, though we think the evidence is clear and convincing that the funds from the cashed checks, except to the extent we have found that they went to purchase material on the Black Market, were diverted by Jackson to his personal use or for the benefit of himself and Alice, it is not equally as clear that Jackson knew that the funds were placed in fictitious savings accounts where they drew interest. It is clear that Jackson knew that Dodd was holding the proceeds of the cashed checks for him and that he could call on Dodd for the cash as he wanted it. The available deposit slips to the savings account were all in Dodd's handwriting. While this does not show that Jackson did not know of such accounts since the evidence shows that it is not uncommon for an employee or officer of the bank to make out such slips for a cli-

ent, it does not establish that Jackson did know of such deposits.

Though the record shows that Dodd was present in the courtroom during the entire trial, neither party chose to call him as a witness. Each party explained the failure to call Dodd by the fact that he, himself, had been the petitioner in a case before this Court involving the years 1942 to 1949, inclusive, in which we held that his Federal income tax return for each of such years was false and fraudulent with intent to evade tax.[2]

Petitioners argue that the fact that there were no deposits of cashed checks to fictitious accounts after January 31, 1944, even though Jackson continued in a high tax bracket thereafter, indicates that all of the moneys were being spent for Black Market activities. No such conclusion follows. The explanation of the reduced activities in cashing of company checks is more likely tied in with stronger controls which gradually the certified public accountant who audited the books of the two businesses kept over the books after being called in when Jackson became concerned that perhaps $43,000 of the sales had been diverted by Wooten for his own purposes.

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[2] E. C. *Dodd* (Dec. 25,693(M), T. C. Memo. 1962-235, dated October 5, 1962. Petitioners also in this connection refer to the cases of *United States v. Lefkoff* (54-1 USTC par. 9114), 113 F. Supp. 551 (E. D. Tenn., S. C. 1953), and *Lefkoff v. Darr*, an unreported case (C. A. 6, Dec. 17, 1953), 1954 P. H. par. 72356, 54-1 U. S. T. C., sec. 9293.

Petitioners, in arguing that respondent has failed to meet his burden of proof, rely primarily on *Richardson v. Commissioner*, (59-1 USTC par 9292), 264 F. 2d 400 (C. A. 9, 1959), affirming in part and reversing in part a Memorandum Opinion of this Court (Dec. 22,925(M). In reversing our opinion as to the fraud issue the Circuit Court relied on *Valetti v. Commissioner* (58-2 USTC par. 9869) 260 F. 2d 185 (C. A. 3, 1958), and quoted from that case the following language:

It is not enough than an apparent discrepancy between the large commissions shown by the taxpayer's records and the smaller commissions said to have been paid by other chandlers permitted, though it did not require, an inference of error in the taxpayer's records. This permisive inference was not an adequate base upon which to build a second inference that the inferred error was made with fraudulent intent to evade income taxes, in a situation where this ultimate conclusion had to be established in a clear and convincing way.

Petitioners specifically rely upon the following language from *Richardson v. Commissioner, supra* (p. 405):

'We cannot agree that the finding of an understatement of gross receipts automatically puts on the taxpayers the oblegation to prove the offsetting deductions in order to escape a fraud penalty. Such a contention might have more force in a case where the unreported income and deductions were unrelated or only remotely related. There, the Tax Court might be justified in thinking that the newly asserted deductions were conceived belatedly in an effort to add to the Commissioner's burden. It might reasonably be contended in such a case that the taxpayer should have the burden even on the issue to fraud. We have no occasion to decide this, however, for here the un-

reported income and the unclaimed deductions are intertwined. We think that the failure to report these two items is not a sufficient ground upon which to distinguish the instant case from Valetti and thus to lessen the burden on the Commissioner. In order for a fraud penalty to be assessed where the unreported items of income and expense are closely related, the Commissioner must prove that at least some unreported net income resulted from the unrecorded transactions. This principle was applied in the Tax Court in H. J. *Feinberg & Co., Inc.* (Dec. 17,852(M), 9 T. C. M. 776 (1950)."

In the instant case respondent has traced a goodly portion of the moneys from the cashed checks directly into uses for personal purposes of Jackson and Alice and Jackson has offered no explanation which is worthy of belief of how these moneys were available for his personal use. The credible evidence of record shows that not over $100,000 of Black Market purchases for the two businesses were omitted from purchases during the years 1942, 1943, and 1944, and that no such accounts were omitted in 1945. The credible evidence also shows that most of the Black Market purchases were entered on the books during 1942 when company checks were being written to cash and lumber bought on a basis of upgrading.

These facts, proved by respondent by clear and convincing evidence, sufficiently distinguish the instant case from *Richardson v. Commissioner, supra,* to make *Richardson v. Commissioner, supra,* inapplicable. See *United States v. Bender* (55-1 USTC par. 9142), 218 F. 2d 869 (C. A. 7, 1955), certiorari denied 349 U. S. 920 (1955); *Paul Masters* (Dec. 21, 589), 25 T. C. 1093 (1956), affd. (57-1); USTC par. 9529) 243 F. 2d 335 (C. A. 3, 1957); *Davis v. United States* (55-2 USTC

par. 9685), 226 F. 2d 331 (C. A. 6, 1955).

In addition to the Thomas Rogers account, Jackson admitted knowledge of the W. E. Wooten and W. R. Jackson account but contended that this account was set up for the signatures of Wooten and himself to use for making loans to employees and that it was closed out after he was advised that this might be objectionable to the labor unions. It will be noted that no withdrawal from this account was made from the time it was opened on March 25, 1942, with a $107.25 deposit until it was closed on June 17, 1942, by the withdrawal of the entire $5,539.65 which had been deposited in it. On that same date the John Jones account was opened with a deposit of $5,708. We have found that the amount withdrawn at the closing of the W. E. Wooten and W. R. Jackson account made up that portion of the deposit to the John Jones account. This is one of the few items of deposits to these various accounts which petitioners to some extent question as distinguished from contending, that all of these transactions, although in fact correctly shown by respondent, occurred without Jackson's knowledge. In this particular instance, petitioners in their reply brief state:

"It could be speculated that at the time this account was closed at the height of the Black Market purchase activity during 1943, cash was requested, which was supplied by Dodd from his side fund, and he in turn deposited the check closing out the Wooten and Jackson account to the John Jones account which he controlled."

Irrespective of the speculation as to the disposition of the funds when the account was closed out, it is absolutely clear that no withdrawals from the account were made to make loans to employees at any time while it was maintained and therefore the proven facts do not bear out petitioners' explanation of this account.

Petitioners likewise attack the bank records and point to a number of instances where entries are out of sequence or some correction has been made by a strikeover or change of a figure in ink, or some such similar irregularity exists. There are irregularities in the bank records which appear to be the type that efficient management should not permit, but these irregularities do not explain the money withheld from sales by Jackson.

In considering the fraud aspects of the case, we have only considered the checks which were endorsed by Jackson Manufacturing Company and Cleveland Chair Company which were diverted from the businesses by Jackson since, other than by inference, respondent has not shown the source of the other funds which he has included in computing the omitted income of each of these businesses. As shown in our findings of fact the amounts of the checks specifically identified by respondent as not included in gross sales of the businesses are $302.05, $166,598.04, $40,675.02, and $8,232.94 for the Jackson Manufacturing Company for the years 1942, 1943, 1944, and 1945, respectively, and $3,285.69, $202,116.82, $37,577.09, and $11,698.86 for the Cleveland Chair Company for these same years. These amounts far exceed Wooten's estimate of total Black Market purchases and also exceed any amounts which might appear to have been omitted from purchases on the basis of evidence which petitioners argue inferentially establishes that there were some Black Market purchases.

Jackson testified that upholstery material on the average represented 25 percent of the sales price of the products. The evidence shows that the purchases of upholstery material by Jackson Manufacturing Company as reported on its partnership returns of income for the years 1942, 1943, 1944, and 1945 were $196,904.38, $244,379.73, $389,903.26 and $527,003.66 respectively. A computation of 25 percent of part-

nership sales as determined by respondent for the years 1942, 1943, 1944, and 1945 results in $175,573.29, $291,352.90, $316,758.36, $352,162.62, respectively. If only the checks endorsed by Jackson Manufacturing Company are added into sales, 25 percent of the amount of such increased sales obviously comes to even less. It is readily apparent that in only the year 1943 do the purchases of upholstery materials as shown on the partnership returns of income amount to less than 25 percent of the sales shown or the sales as determined by respondent. When the $49,000 we have determined as the amount by which cost of goods sold was understated in 1943 is added to the purchases of upholstery materials as shown on the partnership return of income for the year 1943, the resultant figure is slightly over 25 percent of the amount which respondent determined as partnership sales for the year. Since the change in inventory of materials was very slight, the purchase of such materials must closely approximate the cost of materials used.

The figure for purchases of upholstery materials as a separate item on the income tax returns for Cleveland Chair Company is not shown for any year except 1944 and the effect of inventory changes might well be to distort any comparison of purchases of upholstery materials to sales for the one year. For that year the purchases on the corporate income tax returns show "Raw Materials" as $291,221.20 and "Upholstery Materials" as $281,274.60. The evidence clearly shows that the largest one item of material cost in the manufacture of furniture by Cleveland Chair Company as well as Jackson Manufacturing Company is upholstery materials. Therefore, a substantially larger portion of the $54,372.47 of the opening inventory of materials than of the $70,943.73 closing inventory must have consisted of upholstery material to make this item the largest item of material costs.

The comparison of statistical data of industry percentage of net profit to sales with similar data for the businesses of Jackson Manufacturing Company and Cleveland Chair Company likewise tends to demonstrate that not all the withheld sales were omitted from cost of goods sold. Jackson's two businesses did consistently better than the industry average and it is noted that in 1946 and 1947 when Jackson does not contend there were any Black Market purchases, the Cleveland Chair Company and Jackson Manufacturing Company further exceeded the industry increase than in the years 1942 and 1944 as adjusted by respondent. Therefore, this comparison tends to show that there was a very small amount of Black Market purchases omitted from the records of Jackson Manufacturing Company and Cleveland Chair Company in the years 1942 and 1944, Wooten testified that the Black Market purchases which were omitted from the purchase records were small in 1942, greatly increased in 1943 and that he ceased to make such purchases for the partnership and corporation when he went into the service.

We have accepted his estimate of the total purchases which he made being between $75,000 and $100,000 and have used the $100,000 figure since Wooten testified with respect to a $25,000 purchase which he had arranged for but for which Jackson was to pay. Jackson's own testimony is that other than this one purchase he made no Black Market purchases. From this evidence and the comparison of figures for the various years, we have concluded that there were omitted purchases by each Jackson Manufacturing Company and Cleveland Chair Company of $100 in 1942, $49,000 in 1943, and $900 in 1944.

Petitioners contend that respondent has failed to show fraud in the case of Jackson because he did not confirm his determination of omitted income by a net worth computa-

tion showing Jackson's yearly increases in net worth. Although fraud may be established by net worth computations with a likely source for the increases, where the evidence shows specific omission of income, such a computation is not necessary to establish fraud by clear and convincing evidence. *Emilie Furnish Funk* (Dec. 22,664), 19 T. C. 179, affirmed and remanded on another issue sub nom (59-USTC par. 9189), *Furnish v. Commissioner* (59-USTC par. 9189), 262 F. 2d 727 (C. A. 9, 1958).

Petitioners further contend that since both Jackson Manufacturing Company and Cleveland Chair Company were on an accrual basis of accounting, respondent has not established that the omitted sales represented income in the years in which the checks were cashed. This is true with respect to certain checks shown to have been cashed in the early part of the years 1943 and 1944 because the evidence shows that generally during the years here involved accounts were paid within 30 days and sometimes within 60 days. However, in each of the years here involved there are sufficient amounts of checks cashed more than 60 days after the beginning of the years to show income diverted from the companies to Jackson's own use.

Petitioners fianlly rely on certain testimony as to Jackson's reputation. Several witnesses were asked about Jackson's reputation for character and integrity, and they stated that this reputation was of the highest. However, these witnesses did not profess to know that Jackson was dealing in the Black Market and one such witness, George Castings, Vice President of the Cleveland National Bank in Cleveland, Tennessee, where during the years 1942 through 1945 the payroll account of the Cleveland Chair Company was carried, stated that he had never heard of Jackson's dealings in the Black Market to any extent at any time including the war years

and that he had been in a position to have heard if it had been a fact that Jackson was dealing in the Black Market.

It is likewise significant that at the time that respondent's agents were making their investigation of petitioners' tax liability, Jackson furnished them with no names of either individuals or firms from which Black Market purchases had been made to permit them to check the amount of such purchases.

At the trial of the case several names were mentioned by Jackson and Wooten as persons from whom Black Market purchases were made but no such person was called as a witness and Jackson generally testified that he did not know where presently to locate these individuals. There was testimony about unsatisfactory Black Market purchases from a man by the name of Kaufman by both Wooten and Jackson, but Jackson proceeded to attempt to explain later Black Market purchases as having been made from this same individual.

Petitioners point out that over-ceiling prices paid for Black Market goods have been held to be includable in cost of goods sold in computing taxable income, citing such cases as *Lela Sullenger* (Dec. 16,735), 11 T. C. 1076 (1948). We have made allowance for the maximum amount the record supports as Black Market purchases omitted from purchases on the records of Jackson Manufacturing Company and Cleveland Chair Company in our computation and there still remains substantial withholdings from sales that are not thus accounted for.

Petitioners stress the limited formal education of Jackson and argue that he did not understand accounting. Jackson's understanding of the cost sheets of his businesses show that he had a fair understanding of accounting. The record is completely clear that Jackson understood that he was taxable on his distributable share of the partnership income and that

such income included all partnership receipts even though he kept such receipts for his own use.

The evidence is clear and convincing that Jackson's income tax returns for the years 1942, 1943, 1944, and 1945 and the declared value excess profits and excess profits tax returns of the Cleveland Chair Company for these same years and the income tax returns of Cleveland Chair Company for the year 1942 were false and fraudulent with intent to evade tax.

Since respondent has not shown by clear and convincing evidence that Jackson did know of the interest being drawn on the fictitious accounts in which his money was being deposited, respondent has failed to show by clear and convincing evidence that Jackson's returns for the years 1946 and 1947 were false or fraudulent with intent to evade tax.

Having determined that respondent has shown by clear and convincing evidence that the returns of Jackson and Cleveland Chair Company for the years 1942 through 1945 were false and fraudulent with intent to evade tax, there remains the question of the proper computations of taxable income for each of these petitioners for these years. It is unnecessary to go into this aspect of the case with respect to Alice for any of the years 1942 through 1947 or with respect to Jackson for the years 1946 and 1947, since we have determined that respondent has failed to show by clear and convincing evidence that the returns filed by Alice for the years 1942 through 1947 and the returns filed by Jackson for the years 1946 and 1947 were false or fraudulent with intent to evade tax and therefore assessment or collection of a deficiency is barred for those years.

Respondent in his determination included in the income of Jackson Manufacturing Company all unidentified deposits to the various fictitious accounts including the W. E.

Wooten and W. R. Jackson account, which petitioners do not view as fictitious and checks cashed where the last endorsement was by W. R. Jackson, Ray Jackson or Lee Jackson as well as all checks to Jackson Manufacturing Company which were not deposited to that company's account. For the proof of fraud by respondent we have not considered that it had been sufficiently established that Jackson knew the funds from the checks which were cashed by him were being placed in these accounts, as distinguished from being held in cash by Dodd, who Jackson himself testified, and certain related evidence indicated, was handling certain collections of personal loans for Jackson. However, there is certainly no reliable evidence in the record to establish that these various accounts did not in fact belong to Jackson. The only evidence in this regard is Jackson's own statement which we consider unworthy of belief upon observation of Jackson as a witness and a consideration of all his testimony.

The evidence of checks endorsed by Jackson Manufacturing Company and Cleveland Chair Company and by Jackson personally being deposited in these accounts is certainly strong if not clear and convincing that Jackson knew of these accounts and that all funds therein belonged to him. Furthermore, the evidence is clear that respondent did not obtain all transit letters and that transit letters did not include local checks. It is therefore highly probable that the unidentified deposits in these accounts came from checks representing sales by Jackson Manufacturing Company and Cleveland Chair Company which were not recorded.

In any event the burden of proof as to the amount of deficiency is on petitioners, and petitioners have totally failed to carry this burden.

Respondent has allowed as transfers between accounts all amounts of withdrawals which are in equal sums or approximate sums or deposits on the same day to another ac-

count.

In this state of the record we sustain the amount of respondent's addition to sales of the two companies, and except for the reduction by the amounts of purchases which we have found were omitted from the companies' records sustained respondent's computation of the resulting increases in income.

We hold that 55 percent of the increased income of Jackson Manufacturing Company so computed for each of the years 1942 through 1945 is includable in Jackson's income as distributable partnership income. We likewise sustain respondent in including in Jackson's income for each of these years, 55 percent of the additional income of Cleveland Chair Company but in accordance with respondent's determination limited to the amount to which the 55 percent is applied does not exceed the available earnings and profits of that corporation.

Since all parties agree that at the time the notices of deficiencies were issued the statute of limitations on the assessment of collection of deficiencies from Jackson and Alice for the years 1948 and 1949 had not expired, we hold that petitioners have failed to show error in respondent's addition to the income as shown on the joint returns of Jackson and Alice for those years of the interest on the various fictitious accounts. However, since respondent has not shown by clear and convincing evidence that Jackson and Alice did know of the interest as distinguished from knowing that the cash was being held, we have found that no portion of such deficiencies was due to fraud with intent to evade tax. The circumstances shown certainly arouse suspicions that petitioners, Jackson and Alice, must have known of the accounts and have known that these accounts were drawing interest but suspicions are not sufficient for a finding of fraud.

We hold that respondent correctly determined the

deficiencies in the joint income tax liability of Jackson and Alice for the years 1948 and 1949 but has failed to establish that any part thereof was due to fraud with intent to evade tax.

Decisions will be entered under Rule 50

TAX COURT OF THE UNITED STATES

Washington

W. R. JACKSON,

Petitioner

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent

Docket No. 70811

DECISION

Pursuant to the determinations of the Court as set forth in its Memorandum Findings of Fact and Opinion, filed December 23, 1964, respondent filed a computation for entry of decision on March 21, 1965, and petitioner filed a partial objection thereto on May 6, 1965. After due notice to the parties, a hearing under Rule 50 was held on July 28, 1965, at which each of the parties was represented by counsel. After due consideration, the facts recited in respondent's computation are incorporated herein as the findings of the Court, and it is

ORDERED and DECIDED: That there are no deficiencies in income tax due from, or overpayments due to, the petitioner for the taxable years 1941, 1946, and 1947;

That there are no deficiencies in additions to the tax under the provisions of section 293(b) of the Internal Revenue Code of 1939 due from the petitioner for the taxable years 1941, 1946, and 1947.

That the following statement shows the petitioner's

liability for income tax and addition to the tax for the taxable year 1942:

		Income tax	Addition to tax, I. R. C. of 1939 Sec. 293(b)
Tax Liability		$31,940.80	$ 6,315.07
Tax assessed:			
Paid	$9,655.34		
Not paid	9,655.32	19,310.66	--
Deficiency (to be assessed)		$12,630.14	$ 6,315.07

That the following statement shows the petitioner's liability for income and victory tax and additions to the tax for the taxable year 1943:

		Income and Victory tax	Addition to tax I. R. C. of 1939 Sec. 293(b)
Tax liability		$197,727.98	$82,412.58
Tax assessed:			
Paid	$30,017.60		
Not paid	4,827.66	34,845.26	--
Deficiency (to be assessed)		$162,882.72	$82,412.58

That there are deficiencies in income tax due from the petitioner for the taxable years 1944 and 1945,

in the amounts of $25,500.37 and $10,531.13, respectively; and

That there are additions to the tax due from the petitioner for the taxable years 1944 and 1945 under the provisions of section 293(b) of the Internal Revenue Code of 1939 in the amounts of $12,750.19 and $5,265.57, respectively.

Entered: August 3, 1965

(Signed) Irene F. Scott

Judge

TAX COURT OF THE UNITED STATES

Washington

WILLIAM R. JACKSON and
ALICE J. JACKSON,

Petitioner

v. Docket No. 70812

COMMISSIONER OF INTERNAL
REVENUE,

Respondent

DECISION

Pursuant to the determination of the Court as set forth in its Memorandum Findings of Fact and Opinion, filed December 23, 1964, respondent filed a computation for entry of decision on March 31, 1965, to which petitioner made no objection. After due notice to the parties, a hearing under Rule 50 was held on July 28, 1965, at which each of the parties was represented by counsel. After due consideration, the facts recited in respondent's computation are incorporated herein as the findings of the Court, and it is

ORDERED and DECREED: That there are deficiencies in income tax due from the petitioners for the taxable years 1948 and 1949 in the amounts of $226.16 and $402.96, respectively; and

That there are no deficiencies in addition to the

tax under the provisions of section 293(b) of the Internal Revenue Code of 1939 due from the petitioners for the taxable years 1948 and 1949.

Entered: August 3, 1965

(Signed) Irene F. Scott

Judge

TAX COURT OF THE UNITED STATES

Washington

CLEVELAND CHAIR COMPANY,

Petitioner

v. Docket No. 70813

COMMISSIONER OF INTERNAL REVENUE,

Respondent

DECISION

Pursuant to the determinations of the Court as set forth in its Memorandum Findings of Fact and Opinion, filed December 23, 1964, respondent filed a computation for entry of decision on March 31, 1965, and petitioner filed a partial objection thereto on May 6, 1965. After due notice to the parties, a hearing under Rule 50 was held on July 28, 1965, at which each of the parties was represented by counsel. After due consideration, the facts recited in respondent's computation are incorporated herein as the findings of the Court, and it is

ORDERED and DECIDED: That there are deficiencies in income tax, declared value excess profits tax, excess profits tax and additions to the tax under section 293(b) of the Internal Revenue Code of 1939 due from the petitioner for the taxable years 1942 to 1945, inclusive, as follows:

Year	Deficiency	
	Income tax	Section 293(b) addition
1942	--	$ 32.08
	Declared value excess profits tax	
1942	$ 213.03	110.80
1943	13,452.18	6,726.09
1944	2,420.68	1,199.84
1945	779.38	341.81
1942	2,441.84	1,173.85
1943	118,437.94	59,218.97
1944	33,497.22	16,808.22
1945	14,771.64	6,895.42

Entered: August 3, 1965

(Signed) Irene F. Scott

Judge

IN THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

W. R. JACKSON,

Petitioner

vs.

TAX COURT
DOCKET NO. 70811

COMMISSIONER OF
INTERNAL REVENUE

Respondent

PETITION FOR REVIEW

Comes now W. R. Jackson, the Petitioner in the above entitled cause, by his attorney, Richard P. Jahn, and hereby petitions the United States Court of Appeals for the Sixth Circuit to review the decision entered by the Tax Court of the United States on August 3, 1965, in the above captioned case ordering and deciding that there were tax deficiencies and additions to tax for the taxable periods shown as follows:

Calendar Year Taxable Period Involved	Total Deficiencies Decided by the Court	
	Income Tax	Additions to Tax (IRC of 1939, Section 293(b))
1942	12,630.14	6,315.07
	Income and Victory Tax	
1943	162,882.72	82,412.58

Calendar Year Taxable Period Involved	Total Deficiencies Decided by the Court	
	Income Tax	Additions to Tax (IRC of 1939, Section 293(b))
1944	25,500.37	12,750.19
	Income Tax	
1945	10,531.13	5,265.57

Throughout the taxable periods involved Petitioner filed his returns in question with the Collector of Internal Revenue for the District of Tennessee whose office was located at Nashville, Tennessee within the jurisdiction of the United States Court of Appeals for the Sixth Circuit.

This Petition for Review is filed pursuant to the provisions of Rule 12 of the U. S. Court of Appeals for the Sixth Circuit and pursuant to the provisions of Sections 7482 and 7483 of the 1954 Internal Revenue Code.

/s/ Richard P. Jahn
Attorney for Petitioner
Twelfth Floor, Volunteer Building
Chattanooga, Tennessee

IN THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

WILLIAM R. AND ALICE J. JACKSON,

Petitioners,

vs.

TAX COURT
DOCKET NO. 70812

COMMISSIONER OF INTERNAL REVENUE,

Respondent

PETITION FOR REVIEW

Come now William R. and Alice J. Jackson, the Petitioners in the above entitled cause, by their attorney, Richard P. Jahn, and hereby petition the United States Court of Appeals for the Sixth Circuit to review the decision entered by the Tax Court of the United States on August 3, 1965, in the above captioned case ordering and deciding that there were tax deficiencies and additions to tax for the taxable periods shown as follows:

Calendar Year Taxable Period Involved	Total Deficiencies Decided by the Court	
	Income Tax	Additions to Tax (IRC of 1939, Section 293 (b))
1948	226.16	-0-
1949	402.96	-0-

Throughout the taxable periods involved Petitioners filed their returns in question with the Collector of Internal Revenue for the District of Tennessee whose office was located at Nashville, Tennessee within the jurisdiction of the United States Court of Appeals for the Sixth Circuit

This Petition for Review is filed pursuant to the provisions of Rule 12 of the U. S. Court of Appeals for the Sixth Circuit and pursuant to the provisions of Sections 7482 and 7483 of the 1954 Internal Revenue Code.

/s/ Richard P. Jahn
Attorney for Petitioners
Twelfth Floor, Volunteer Building
Chattanooga, Tennessee

IN THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

CLEVELAND CHAIR CO.,

Petitioner

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent

TAX COURT DOCKET NO. 70813

PETITION FOR REVIEW

Comes now Cleveland Chair Co., the Petitioner in the above entitled cause, by its attorney, Richard P. Jahn, and hereby petitions the United States Court of Appeals for the Sixth Circuit to review the decision entered by the Tax Court of the United States on August 3, 1965, in the above captioned case ordering and deciding that there were tax deficiencies and additions to tax for the taxable periods shown as follows:

Calendar Year Taxable Period Involved	Total Deficiencies Decided by the Court	
	Income Tax	Additions to Tax (IRC of 1939, Section 293(b))
1942	-0-	32.08
	Declared Value Excess Profits Tax	
1942	213.03	110.80

Calendar Year Taxable Period Involved	Total Deficiencies Decided by the Court	
	Income Tax	Additions to Tax (IRC of 1939, Section 293(b))
	Declared Value Excess Profits Tax	
1943	13,452.18	6,726.09
1944	2,420.68	1,199.84
1945	779.38	341.81
1942	2,441.84	1,173.85
1943	118,437.94	59,218.97
1944	33,497.92	16,808.22
1945	14,771.64	6,895.42

Throughout the taxable periods involved Petitioner filed its returns in question with the Collector of Internal Revenue for the District of Tennessee whose office was located at Nashville, Tennessee within the jurisdiction of the United States Court of Appeals for the Sixth Circuit.

This Petition for Review is filed pursuant to the provisions of Rule 12 of the U. S. Court of Appeals for the Sixth Circuit and pursuant to the provisions of Sec-

tions 7482 and 7483 of the 1954 Internal Revenue Code.

/s/ Richard P. Jahn
Attorney for Petitioner
12th Floor, Volunteer
Building
Chattanooga, Tennessee